Jobs for Youth

UNITED STATES

Des emplois pour les jeunes

OECD

Jobs for Youth
(Des emplois pour les jeunes)

United States

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FOREWORD

The OECD's Employment, Labour and Social Affairs Committee has decided to carry out a thematic review of policies to facilitate the transition from school to work and improve the employment prospects of youth. This review is a key part of the implementation of the Reassessed OECD Jobs Strategy.

Sixteen countries (Australia, Belgium, Canada, Denmark, France, Greece, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Slovak Republic, Spain, United Kingdom and United States) have agreed to participate in the review, which began in 2006 and will be completed in 2009. Once all these countries have been reviewed, a synthesis report will be prepared highlighting the main issues and policy recommendations which will be discussed subsequently by OECD Employment and Labour Ministers.

In this thematic review, the term youth encompasses "teenagers" (that is in statistical terms, youth aged 15/16-19), as well as "young adults" (aged 20-24 and 25-29).

This report on the United States was prepared by Glenda Quintini, with the statistical assistance of Sylvie Cimper and Thomas Manfredi. It is the 14th such country report prepared in the context of this thematic review supervised by Stefano Scarpetta (Head of Division) and Anne Sonnet (Project Leader). A draft of this report was presented at a seminar held in Washington D.C. on 14 October 2009. The seminar, which was organised by the Employment and Training Administration – US Department of Labor, brought together representatives of the public authorities and social partners, as well as academic experts.

TABLE OF CONTENTS

List of boxes

List of figures

List of tables

ABBREVIATIONS

ASU	Areas of Substantial Unemployment
AYP	Adequate Yearly Progress
CPC	Chicago Child-Parent Centers
CTE	Career and Technical Education
ECEC	Early Childhood Education and Care
ERP	Eligibility Review Programme
FLSA	Fair Labor Standards Act
GDP	Gross Domestic Product
GED	General Education Development certificate
GSGS	Good Start, Grow Smart
GTC	Gateway to College programme
ILO	International Labour Organisation
JTPA	Job Training Partnership Act
NCLB	No Child Left Behind
NEET	Neither in Employment nor in Education or Training
NLSY	National Longitudinal Survey of Youth
OM	Open Meadow Alternative Schools
PISA	Programme for International Student Assessment
PPS	Portland Public Schools
PY	Programme Year
RA	Registered Apprenticeship
REA	Re-employment and Eligibility Assessment
SAA	State Apprenticeship Agency

SME	Small and Medium Enterprise
SSDI	Social Security Disability Insurance
SSI	Supplemental Security Income benefit
UI	Unemployment Insurance
USD	United States Dollar
WIA	Workforce Investment Act
WIB	Workforce Investment Board
WPRS	Worker Profiling and Re-employment Services
YOG	Youth Opportunity Grant
YTD	Youth Transition Demonstration

SUMMARY AND MAIN RECOMMENDATIONS

The labour market performance of young people

The current major economic downturn has brought about a significant worsening in the labour market performance of US youth. In the two years to September 2009, the employment rate of youth aged 16-24 fell by 7 percentage points to 46% and their unemployment rate rose by 7 percentage points to 18%. Despite talk that the worst of the recession may be over, there is little doubt that its labour market consequences will persist over the coming quarters.

Evidence from the aftermath of the early 2000s slowdown in the United States casts doubts on how quickly the youth labour market is likely to recover from the current deep recession. Indeed, in 2007, the labour market performance of youth still stood significantly below its 2000 level. The youth employment rate was 53% in 2007 compared with 60% in 2000; the youth unemployment rate, at 11%, was about 1 percentage point higher than its 2000 level.

In the context of this rapidly deteriorating cyclical outlook, some of the structural challenges facing the youth labour market before the crisis have become more pressing and need to be tackled. First, while the flexible US labour market ensures smooth school-to-work transitions for many, it leaves a hardcore group of youth behind. Labour market outcomes for African-American youth and for youth with no qualifications are particularly poor and young women are more likely to be neither in employment nor in education and training than young men. In addition, it was teenagers who bore the brunt of the early 2000s slowdown and the drop in their employment rate thereafter accounted for most of the overall decline in the youth employment rate between 2000 and 2007. While this has favoured school enrolment and reduced the share of 16-19-year olds who combine work and study, the effect it is going to have on teenagers' longer-term labour market outcomes is unclear at this point.

Second, school-leavers with the bleakest prospects on the labour market – notably, African-American youth, those with low qualifications and teenage mothers – are more likely to withdraw from the labour market and remain *trapped* in inactivity for a number of years than to continue looking for work. In the early 2000s, about 6% of school-leavers with an upper secondary qualification or less spent the most part of 60 months in inactivity, although for some – *e.g.* young married women – this was a choice.

Third, labour market programmes targeted on disconnected youth are heavily underfunded. Not only are the vast majority of youth currently in this at-risk group not receiving the support they need to reconnect to education and the labour market, but their number is likely to increase significantly in the wake of the current economic crisis if urgent action is not taken. Indeed, as current school-leavers face very difficult labour market entry conditions, the least qualified among them may drift into prolonged unemployment or inactivity and, lacking benefit support and help to find work or retrain, ultimately become disconnected from the labour market. It must be a major objective to minimise this long-term "scarring" effect, by which the experience of early labour market difficulties or exclusion may have permanent effects on youths' labour market outcomes and participation later in life.

Recent initiatives

In early 2009, the US government approved the American Recovery and Reinvestment Act which included several measures aimed at limiting the consequences of the economic downturn on the current generation of school-leavers. Through the Act, approximately USD 3 billion in additional funding have been made available to existing Workforce Investment Act (WIA) programmes, including USD 1.25 billion on programmes focused specifically on disconnected youth. Assuming unchanged expenditure per participant and a constant share of youth in programmes opened to all age groups, this would benefit an additional 240 000 young people, translating in twice as many youth served in 2009 as with yearly appropriations alone. Furthermore, the federal government has provided funds for states to apply an alternative reference period for unemployment benefit calculations – a measure that extends eligibility to unemployed individuals with limited contributory history – and 30 states have accepted so far. Finally, the Recovery Act included significant additional spending on education. Over the next two years, a total of USD 150 billion will be devoted to: school renovation; special education; Head Start and Early Head Start, the largest federal early-childhood education programmes; and Pell Grants, financial aid to low-income college students.

In addition, over the past decade, the federal government has launched a number of initiatives to improve youth performance in the education system and on the labour market.

In 2002, the federal government launched the Good Start, Grow Smart initiative, whereby federal agencies encourage states to align guidelines for early learning interventions with high-school curricula. Indeed, sustained interventions beyond preschool have the potential to strengthen the substantial positive effects that attending early learning initiatives has on education and labour market outcomes of children from disadvantaged backgrounds.

In the same year, the federal government introduced the No Child Left Behind Act (NCLB) which makes schools and districts accountable for their students' performance, as measured by a test and by graduation rates. Underperforming schools face increasing sanctions. The reform has had some positive effects, notably on the attention paid to the achievement of those students most at risk of dropping out. However, concerns have emerged on the quality of graduation-rate measures used in several states and on the narrowing of school curricula because of pressure to meet test requirements. To address the first of these concerns, in late 2008, the Department of Education approved a number of changes to the Act. The new regulations require that states: *i)* adopt a uniform "graduation-rate" measure by 2013; *ii)* set a graduation-rate goal for all students and for sub-groups by school year 2008-09; and *iii)* improve notification of additional services available to students in under-performing schools. Further changes are in the pipeline to reduce the demands on teachers to "teach to the test" including the introduction of new assessment tools to measure readiness for college and the workplace. In addition, new legislation has been proposed to improve graduation rates through intervention strategies in secondary education, including: personal academic plans; teaching teams; parent involvement; mentoring; intensive reading and mathematics instruction; and extended learning time. How this legislation would interact with the graduation-rate requirements in NCLB remains unclear.

In the area of apprenticeship training, a new rule introducing more flexibility in completion requirements was issued at the end of 2008. In addition to time-based completion, the rule allows for two other approaches: a *competency-based approach*, which requires the apprentice to demonstrate competency in the specific training area; and a *hybrid approach*, which includes both hours of training and competency requirements. The rule also introduces the possibility of issuing interim credentials that offer apprentices recognition for intermediate accomplishments, thus providing incentives to complete their programmes. This rule is the result of a process of modernisation, initiated with the Advancing Apprenticeship programme in 2002. The reform programme has also been focusing on: stronger links with

secondary education for recruitment; increased collaboration with colleges to ensure apprentices gain credits towards a college degree; more and better quality apprenticeships in the service sector; and, since 2004, the registration of new apprenticeship programmes in high-growth industries.

To foster a more efficient use of funds available for programmes targeting disconnected youth, the Department of Labor launched in 2003 the Shared Youth Vision initiative. This initiative aims to pull together resources from all agencies funding actions for at-risk youth. In addition, by encouraging better coordination and more standardised reporting systems, it has the potential to reduce the administrative burden on programmes funded by multiple agencies. In this context, grants have been awarded to 16 states to help them develop strategic plans to connect systems serving youth.

Finally, in 2003, the Social Security Administration launched the Youth Transition Demonstration projects to foster employment among young beneficiaries of disability benefits. Services provided vary but they tend to include benefit and career counselling, job placements and support once participants have entered employment. The projects also waive various rules governing benefit entitlements – notably, student income and employment income are disregarded when calculating benefit levels – to encourage youth with disabilities to enter employment or work more hours. The projects are about to undergo rigorous evaluation to assess their effectiveness.

Suggested recommendations in response to the remaining challenges

The recent initiatives go in the right direction. However, additional measures accompanied by a substantial increase in funding are urgently needed to ensure that youth leaving education during the current economic downturn do not join the ranks of the already large number of disconnected youth nationwide. Also, existing measures need fine-tuning and/or scaling up to help address the structural challenges facing the youth labour market.

More specifically, the federal government should focus on three areas: *i)* ensuring that youth leave education with the skills required in the labour market; *ii)* reaching more disconnected youth and improving available services to help them find work; and *iii)* studying the effect of the rising minimum wage on the employment opportunities of teenagers.

Ensuring that youth leave education with the skills required in the labour market

Reducing the share of youth with low or no qualifications is key to addressing the challenges facing youth in the United States. In 2006, only 77% of 18-year olds graduated from high school, compared with 82% in the OECD on average. If graduation rates were accurately and uniformly

measured using cohort methods, they would likely be even lower. In this respect, the recent changes to NCLB are an important step forward in measuring graduation rates appropriately and improving schools accountability for high-school completion.

Most early school-leavers stop studying when they complete compulsory education, but some leave earlier exploiting exemptions to state-specific compulsory education requirements or taking advantage of poor enforcement. Currently, in the United States, 21 states allow youth to leave education at age 14 with parental consent or for employment, although this is conditional on the school district's approval. Hence, even in the states where youth are required to stay in education until age 18, as many as 4% of 14-17-year olds were not enrolled in school in 2006. Many youth leaving high school without graduating obtain an upper secondary qualification later in life, most often by sitting a General Education Development (GED) test. While this qualification improves labour market prospects relative to holding no degree, several studies have shown that it is only a second-best to acquiring a high-school diploma.

Evidence from rigorous evaluations suggests that participation in high-quality early-childhood services has the potential to improve retention in education and increase post-school earnings. In the United States, early-learning initiatives are the responsibility of the states and efforts have concentrated on disadvantaged youth for whom the benefits are likely to be more substantial. In addition, the federal government funds two nationwide early-childhood programmes: Head Start for 3-5-year olds and Early Head Start for 0-3-year olds. However, despite the importance of acting early, the number of 0-3-year olds benefiting from early-childhood programmes is significantly smaller than that of children of preschool age. The emphasis that Good Start, Grow Smart puts on *sustaining* interventions beyond preschool is well placed in order to ensure that the gains in cognitive and non-cognitive skills acquired in early childhood do not fade away once the child enters primary school.

Vocational education is key to re-engage youth who have become disaffected with academic learning. As a result, the lack of a vocational pathway in state education in the United States represents a serious challenge to retaining youth in this group. Career Academies – small learning communities within high schools combining academic and technical education in a supportive environment – have been shown to improve employment rates of young men at risk of dropping out of education, but too few schools nationwide apply this successful formula. Besides, alternative work-oriented education, provided outside public schools, has the potential to help youth facing specific barriers to labour market entry through ad-hoc solutions. Unfortunately, few of these at-risk youth can be served due to

significant funding difficulties. One group which is currently not the focus of specific alternative education solutions is that of teenage mothers. Evidence from New Zealand shows that teenage mothers benefit from alternative schools providing education as well as a number of other support services ranging from childcare on the premises to family counselling.

Apprenticeships represent a high-quality work-based learning option but the programme is small overall and the share of employed youth who participate is only 0.6%. Unfortunately, expansion of the programme has proved challenging, particularly among non-unionised employers who find it difficult to manage and sponsor apprenticeship training. Examples of how this challenge could be overcome can be drawn from Australia and the United Kingdom where, lacking strong union involvement, the government takes a more active role by certifying off-the-job training provision and subsidising training costs. However, adopting these examples of good practice in the United States would require a major overhaul of the current system, including: large government subsidies; sub-minimum wages for apprentices; and a much broader role for the Office of Apprenticeships – the competent federal agency – accompanied by increased funding. If these measures are not taken, it is unlikely that the Office of Apprenticeships – currently just charged with registering new schemes and certifying that they meet the standards set by law – will be able to expand apprenticeships beyond the current elite model.

As far as tertiary education is concerned, the recent significant rise in funding for Pell Grants – from USD 19 billion to USD 27 billion for the next two years – and the simplification in the application process will help more low-income youth attend college. However, tertiary completion rates must increase if the United States is to improve its international ranking in educational attainment. Just 55% of students who enroll at university graduate within six years, the second worst completion rate across the OECD after Italy. Although state-specific funding rules based on students' intake and not linked with credits earned or graduation rates contribute to this poor performance, the federal government has few tools at its disposal to tackle the issue. On the other hand, action on high-school students' performance – notably through NCLB – is crucial, as failure in tertiary education is also explained by the fact that many high-school graduates enter university unprepared and require significant remedial instruction.

The US government should address the weaknesses of existing measures to ensure that the challenges currently faced by the education system are overcome. In doing so, the government should:

- *Expand existing early-childhood education programmes and emphasise sustained intervention.* Early-childhood programmes that have undergone rigorous evaluation and have been found to improve

children's educational outcomes – such as Head Start and Early Head Start – should be expanded to reach more disadvantaged families. The primary focus of the expansion should be 0-3-year-old children as acting early is key and this group is currently less well served than their preschool counterparts. Special attention should also be paid to the transition into primary education. Children and their parents should be supported during this phase to ensure that the benefits of preschool interventions are sustained.

- *Make the most of experience with NCLB to ensure that graduation rates are accurately measured and that schools and districts are held accountable.* In particular: *i)* states should be encouraged to institute longitudinal tracking of students through a unique common identifier system to allow accurate graduation-rate measurement; *ii)* schools should be required to meet graduation-rate objectives overall and for specific subgroups; and *iii)* graduation-rate objectives should be binding.
- *Make high schools accountable for the readiness for college and the workplace of their students.* The recent proposal to replace literacy and numeracy tests with assessment tools that measure readiness for college and the workplace in the context of the NCLB should be approved.
- *Reduce the use of GED testing in favour of high-school diplomas acquired at school or in a charter-school context.* This should involve encouraging out-of-school unqualified youth who participate in employability programmes – particularly the youngest – to obtain a high-school diploma rather than a GED.
- *Roll-out Career Academies nationwide.* Career Academies should become a model for the provision of vocational education in secondary school and funding for their expansion should be provided directly from the Department of Education.
- *Envisage raising the school-leaving age to 18 in states where this is not already the case*, possibly with a focus on retention until a qualification is obtained rather than on staying until a given age, as in the recent Dutch and English initiatives to raise the school-leaving age. For a measure of this type to be successful, learning routes should be broadened – notably, through Career Academies – to engage youth who would have left school in the absence of compulsion. The higher school-leaving age should be accompanied by tighter exemptions for youth aged 16-18 and no exemptions at all for youth aged 14-16.

- *Ensure more funding for high-quality alternative education.* This is essential to increase the share of at-risk youth served through the alternative education model. The Portland school district provides an example of good practice in this domain as funding follows each young person no matter where education is provided, including alternative education institutions.
- *Apply the alternative education model to teenage mothers.* Teenage mothers represent a group at very high risk of disconnecting from education and the labour market. Because the responsibility of being a young mother makes it difficult to attend public school, youth in this group can benefit from specialised support to complete their schooling and acquire vocational skills.
- *Broaden the role of the Office of Apprenticeships to include funding responsibilities and allow for federal subsidies to employers.* Compensating employers who provide apprenticeship places for their training efforts is key to encourage them to take on more apprentices. In addition, subsidies could be differentiated by the age and qualifications of the apprentice, as is done in Australia and the United Kingdom, and entry wages below the minimum wage could be envisaged. Some employers may also find it difficult to provide off-the-job training without union support. The funding and/or certification of private training providers, as is done in Australia and the United Kingdom, would help employers organise quality off-the-job training.
- *Promote the use of apprenticeships for teenagers.* The Office of Apprenticeships and State Apprenticeship Agencies should promote examples of good practice in this area. Notably, the State of Michigan runs a School-to-Registered-Apprenticeships programme consisting of a refundable tax credit paid to employers who hire low-skilled youth under 20 as apprentices. To qualify for the credit, youth must be studying towards a high-school diploma or a GED certificate. If its role was broadened, the Office of Apprenticeships could also organise pre-apprenticeship courses and offer subsidies to employers hiring graduates as apprentices. In Australia, employers who take on apprentices who have attended a school-based apprenticeship – *i.e.* a programme aimed at preparing youth in their last two years of high school to start an apprenticeship upon graduation – attract higher financial subsidies. A scheme of this kind may help youth who have become disaffected with academic education to prepare for work-based learning on an apprenticeship.

- *Encourage SMEs wanting to offer apprenticeship places to join forces.* The Office for Apprenticeships should encourage small employers in rural/isolated areas, where private training provision is difficult, to join forces to train apprentices. Group Training Associations in the United Kingdom have this function and have been rather successful as participating employers can oversee the classes and link them to on-the-job training.

Reaching more disconnected youth and improving available services to help them find work

Estimates of the number of so-called "disconnected youth" in the United States – defined by WIA as low-income youth who face one or multiple challenges to employment or learning – vary considerably around an average of approximately five million. This group is likely to overlap significantly with the share of high-school leavers in the early 2000s who remained trapped in inactivity after exiting education, which the report estimates at around 6%. In the wake of the current economic crisis, not only is the size of this group likely to increase significantly, but a group of youth trapped in unemployment for a significant period of time is also likely to emerge. The line between these two groups is particularly blurry when youth are concerned as there is evidence that youth are more likely to be discouraged – *i.e.* leave the labour force without returning to education after a spell of unemployment – than their adult counterparts.

In the current context, the additional funding made available through the Recovery Act for programmes targeting at-risk youth is welcome. However, a permanent rise in yearly appropriations is a priority. Unfortunately, most evaluations of programmes targeting very disadvantaged youth, both in the United States and in other OECD countries, have yielded disappointing results. Indeed, disconnected youth are a very heterogeneous group with very complex needs and multiple problems ranging from the lack of basic skills to behavioral difficulties and alcohol and drug abuse. However, some interventions are promising and additional spending should concentrate exclusively on these potentially effective programmes.

The Department of Labor funds a number of programmes targeted on disconnected youth to help them reconnect to education and the labour market. On the one hand, under WIA, the Department of Labor distributes federal funds to states and local workforce investment areas, which provide a comprehensive array of education, employment and follow-up services for 14-21-year-old youth. On the other, some large-scale nationwide youth programmes receive separate federal funding.

Programmes funded through the WIA youth chapter vary in structure and content but are required to provide: *i)* education and training services leading to an upper secondary qualification; *ii)* vocational training and placement support; *iii)* guidance, counselling and adult mentoring; and *iv)* follow-up services. Excluding the temporary funding rise provided through the Recovery Act, WIA serves less than 5% of disconnected youth and funding has been shrinking over the past few years. While the number of beneficiaries could double temporarily thanks to Recovery Act funds, the number of disconnected youth is also expected to rise in the context of the crisis, hence it is unlikely that the share of youth covered will increase by much. Financial constraints mean that much-needed increases in funds devoted to out-of-school youth – all the more important given the extremely high youth unemployment rate – can only be achieved by reducing the maximum 70% share available for programmes targeting in-school youth. While out-of-school youth are a more problematic group, acting early on at-risk in-school youth is equally important, particularly in communities where alternative education options are limited. In addition, funding for the in-school group has already suffered from the elimination of the Summer Jobs programme, which many analysts blame for the worsening employment prospects of teenagers prior to the current downturn. Increased federal investment is also needed to enable communities to replicate and scale up those existing programmes of demonstrated effectiveness for which there is great demand.

The second set of interventions funded by the Department of Labor includes a number of federal programmes that have been shown to work for at least a subgroup of their target population, notably the Youth Opportunity Grants, Job Corps and YouthBuild. All but YouthBuild – an academic and vocational training programme focusing on the construction sector – have undergone rigorous evaluation to assess their effectiveness. While these programmes are rather costly – in the range of USD 15 000 to USD 25 000 per participant – if effective, they yield sizeable savings compared with prison – approximately USD 80 000 per inmate per year – which is, in some cases, the most likely destination of targeted youth should they not participate in the programme. Despite this proven value for money, some funding issues also arise for these programmes.

The Youth Opportunity Grants – aimed at creating a high concentration of employment- and education-oriented services for youth in high-poverty areas – has been shown to reduce NEET rates and increase high-school enrollment for several sub-groups of at-risk youth. Unfortunately, funding and support available for high-poverty areas to implement the programme was exhausted in 2005. Career Academies are another successful programme whose expansion is constrained by limited funding.

Job Corps – a long-standing residential programme for youth at risk with a focus on remedial education and employment assistance – represents an exception in that its expansion over time has been made possible by significant and rising financial support. However, despite the constant increase in the number of centres and participants, Job Corps only serves 60 000 youth per year, just over 1% of the estimated number of disconnected youth nationwide. With each slot costing approximately USD 25 000, raising the share of disconnected youth served would require significant spending increases and should be backed by evidence of cost-effectiveness. Unfortunately, rigorous evaluations have found that Job Corps is only cost-effective for 20-24-year-old participants. Indeed, while initial evaluations using survey data found that the programme raised the earnings of *all* participants, a more recent study using administrative data over a longer follow-up period failed to isolate positive earnings effects for teenagers beyond four years of entering the programme. Researchers suggested that some programme characteristics may be among the factors explaining this difference: 20-24-year olds spend more time on Job Corps on average and receive more hours of vocational training while enrolled. A recent initiative launched by the Department of Labor to raise the long-term employability of Job Corps participants may also help improve the programme's cost-effectiveness. In the so-called "New Vision", more emphasis will be put on transferable skills and on ensuring that the training provided is in line with industry demands.

Fairly rigorous performance measurement systems exist for all programmes funded by the Department of Labor. However, two areas require further improvement. First, most performance goals do not account for local labour market conditions or for client characteristics. Second, despite the emphasis on the long-term employability of participants, outcomes are rarely measured beyond 6-12 months of leaving a programme. Indeed, only some of Job Corps goals are adjusted to account for local labour market conditions and/or measured up to 12 months from exit. On the other hand, WIA participants are only followed for up to six months and no adjustment is made to any of the objectives.

The focus on disconnected youth rather than the sub-group of youth in receipt of unemployment benefits is a key feature of labour market programmes in the United States. Indeed, unemployed youth – who have entered the labour market and have acquired some experience – are often far from being the most at risk. In addition, in the United States, few youth have the contributory history required to qualify for unemployment benefits and those who have tend to experience shorter spells than adults. Because benefits are only paid for a maximum of six months and payments are small, benefit dependency is not a major issue, despite light job-search requirements.

These settings are likely to come under severe strain in the context of the current economic downturn. Across age groups, youth have experienced the sharpest rise in unemployment so far but are the least likely to benefit from the temporary extensions in benefit duration put in place to deal with the current economic downturn. Also, the alternative base period for unemployment benefit compensation proposed and funded by the federal government may improve coverage of youth with limited work experience but not all US states have agreed to apply it. A long period of time without welfare support could push some youth to withdraw from the labour market, possibly increasing the share of disconnected youth in the medium term. The recent emergency measures have the potential to help if accompanied by the application of the mutual obligation principle, *i.e.* strict job-search requirements in exchange for effective re-employment services under the threat of moderate benefit sanctions in the event of non-compliance.

When authorising legislation concerning programmes for disconnected youth, the US government should consider the following recommendations:

- *Raise federal funding significantly and permanently for effective programmes serving disconnected youth.* This rise in federal funding is essential in the context of the current economic downturn. A substantial increase in funding would ensure that more out-of-school youth can be served without sacrificing initiatives for at-risk in-school youth. However, local communities should be required to justify spending on in-school youth based on local conditions and on how the services offered effectively supplement other programmes and services available from the education sector.
- *Favour summer jobs programmes for at-risk in-school youth served by federal initiatives.* Many analysts have pointed to the role that the Summer Jobs programme played in achieving positive post-education labour market outcomes. Indeed, the programme provided important work opportunities for youth with limited family networks and prevented at-risk behaviour during school holidays. Interest in promoting summer employment opportunities for youth has re-emerged in the context of the current crisis and the US government has emphasised that additional funding available for youth programmes through the Recovery Act should be spent primarily on such programmes.
- *Provide funding and assistance to build delivery capacity for youth services in communities with high poverty rates.* The Youth Opportunity Grants, which focused on an entire community rather than just on disconnected youth, significantly reduced NEET rates. Hence, their model should be duplicated.

- *Expand Job Corps for young adults and improve its effectiveness for teenagers.* In light of the programme's cost-effectiveness for young adults, its expansion should concentrate on this group first. At the same time, extra efforts should also be made to sustain teenagers' earnings gains beyond the short-term in order to raise the programme's cost-effectiveness for this age group. Evaluations suggest that these efforts should concentrate on encouraging teenagers to stay on the programme longer and to engage in more vocational education. A new rigorous evaluation to test whether these actions have been successful should be planned before the programme is expanded for teenagers as well.
- *Ensure that performance evaluation criteria reward the best programmes for disconnected youth.* The new evaluation system should improve on the one in use for WIA programmes and Job Corps in two ways. First, the evaluation process should take local labour market conditions and client characteristics into account. An example of how this could be done is provided by the Star Rating system used to evaluate the performance of Job Network providers in Australia. In the system, the ratings are calculated using a regression model that looks at the number of jobs or outcomes that a site has achieved after controlling for the characteristics of its clients and the conditions of the local labour market. Second, the evaluation process should include longer-term objectives, beyond the current 12 months applicable to some Job Corps goals.
- *Launch an experimental evaluation of YouthBuild.* YouthBuild is the only major federal programme that has not undergone rigorous evaluation yet. It costs between USD 15 000 and USD 18 000 per participant and has benefited from an additional USD 50 million in Recovery Act funds.
- *Temporarily relax unemployment benefit eligibility conditions for unemployed youth with some work experience but apply stricter job-search requirements.* Given the severity of the current economic downturn, a temporary reduction in the contributory history required to qualify for unemployment benefits would help prevent some youth from disconnecting from the labour market. The federal government could provide the additional funding needed to enact these temporary changes at the state level, as it has done with the application of the alternative base period for benefit calculations. Alternatively, the government could set up a federal unemployment assistance fund for youth. In either case, financial support should be matched by stricter job-search requirements backed by the threat of moderate benefit sanctions in order to avoid benefit dependence.

- *Envisage the application of the mutual obligations principle to unemployment benefit recipients.* The application of this principle would provide an opportunity to direct the most at-risk unemployed youth to available employability programmes. It would also align practice in the United States to that prevailing in several other OECD countries. A swift move in this direction would be particularly important in the context of the current economic downturn.

Studying the effect of the rising minimum wage on the employment opportunities of teenagers

The Fair Labor Standards Act of 2007 approved a substantial rise in the federal minimum wage, from USD 5.15 to USD 7.25 per hour, to take place in three steps between July 2007 and July 2009. Plans to raise the minimum wage further and to index it to inflation have recently been put forward by the current federal government.

In 2007, before these increases started to come into effect, the ratio of the US federal minimum wage to the median wage was, at 0.34, the second lowest across OECD countries after Mexico. Although some states had significantly higher minimum-to-median wage ratios than the federal level, the highest ratios were only just near the OECD average of 0.45. As a result, only 5.8% of young men and 8.1% of young women earned the minimum wage in 2007 and over 70% of them had moved to higher pay by 2008. However, even then, some youths were more affected than others. Notably, 16% of 16-18-year olds were employed at the minimum wage in 2007.

Hence, the 40% increase approved in 2007 could affect the employment prospects of some youth, notably teenagers, especially in the context of the current major economic slowdown. Even if median wages were to grow at the same rate as in the past five years, the minimum-to-median wage ratio would rise to 0.4 in July 2009. This would still be below the OECD average applicable to adults but it would be above the ratio of 0.37 applicable to 17-year olds in OECD countries with a sub-minimum wage for youth.

While the rise in the minimum wage is in line with the objective of guaranteeing that work pays, it is important that its effect on teenage employment is disentangled from the effect of the current recession. Hence, it would be desirable to:

- *Study the effect of the approved increase in the federal minimum wage for teenagers.* The collapse of teenage employment rates over the past decade warrants a closer look at the effect that the higher minimum wage may have once cyclical factors are accounted for.

Additionally, the effect on school retention should be studied as there is evidence that the most disadvantaged students may leave school for the labour market when the minimum wage is too high. The findings of the study should be used to inform decisions on future minimum-wage increases.

RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS

Les jeunes et le marché du travail

Face à la profonde récession économique actuelle, la situation des jeunes Américains sur le marché du travail s'est considérablement aggravée. Entre septembre 2007 et septembre 2009, le taux d'emploi des jeunes de 16 à 24 ans a reculé de 7 points de pourcentage, pour s'établir à 46 %, et leur taux de chômage a augmenté dans les mêmes proportions, pour atteindre 18 %. Malgré les discours selon lesquels le pire de la crise serait derrière nous, il ne fait guère de doute que ses conséquences sur l'emploi se feront encore sentir au cours des prochains trimestres.

Les séquelles du ralentissement de l'économie américaine au début des années 2000 suscitent des craintes sur la rapidité avec laquelle le marché de l'emploi des jeunes est susceptible de se remettre de la grave crise actuelle. Le fait est qu'en 2007, les résultats des jeunes sur le front de l'emploi étaient toujours nettement inférieurs à leur niveau de 2000. Le taux d'emploi des jeunes était de 53 % en 2007, contre 60 % en 2000, et leur taux de chômage de 11 % était environ 1 point de pourcentage au dessus de son niveau de 2000.

Face à la détérioration rapide de ces perspectives conjoncturelles, certaines des difficultés structurelles auxquelles le marché du travail des jeunes se heurtait avant la crise sont devenues plus pressantes et doivent être surmontées. Premièrement, si la flexibilité du marché du travail américain permet d'assurer une transition facile de l'école à l'emploi pour de nombreux jeunes, elle laisse néanmoins de côté un noyau dur de jeunes qui résiste à toute solution. Le devenir professionnel des jeunes Afro-Américains et des jeunes non diplômés est particulièrement incertain, et les jeunes femmes sont plus susceptibles que les jeunes hommes de n'être ni en emploi, ni en formation. Par ailleurs, ce sont les adolescents qui ont souffert le plus du fléchissement de l'activité économique du début des années 2000, et la chute de leur taux d'emploi qui s'en est suivie explique la majeure partie du recul général du taux d'emploi des jeunes enregistré entre 2000 et 2007. Ce phénomène a favorisé la scolarisation et réduit la part des jeunes de 16-19 ans qui cumulent emploi et études, mais on ne sait

pas encore précisément quelles conséquences cela aura sur les expériences professionnelles à plus long terme des adolescents.

En second lieu, ceux qui quittent l'école avec les perspectives professionnelles les plus sombres, notamment les jeunes Afro-Américains, les jeunes peu qualifiés et les mères adolescentes, sont plus susceptibles de s'éloigner du marché du travail et de rester *piégés* dans l'inactivité pendant plusieurs années que de continuer à chercher un emploi. Environ 6 % des jeunes ayant quitté l'école au début des années 2000 avec, au plus, un diplôme du deuxième cycle du secondaire sont restés inactifs pendant la plus grande partie des 60 mois suivants, même si c'était un choix pour certains, notamment les jeunes femmes mariées.

Troisièmement, les programmes du marché du travail ciblés sur les jeunes éloignés de l'école et de l'emploi manquent de fonds. Non seulement la très grande majorité des jeunes qui compose ce groupe vulnérable ne reçoivent pas le soutien dont ils ont besoin pour revenir vers l'école et le monde du travail, mais leur nombre risque d'augmenter nettement au vu de la crise économique actuelle si des mesures urgentes ne sont pas prises. Effectivement, dans la mesure où il est très difficile aujourd'hui pour les jeunes qui quittent l'école de trouver du travail, les moins qualifiés d'entre eux risquent de glisser vers le chômage de longue durée ou l'inactivité et, faute de prestations et d'aide pour trouver un emploi ou suivre une formation, ils peuvent se retrouver totalement éloignés du marché du travail. Ce doit être un objectif majeur de l'action publique que d'atténuer le plus possible ces effets de stigmatisation, par lesquels l'expérience précoce du chômage ou de l'inactivité augmente les risques de chômage et d'inactivité dans le futur et/ou réduira les gains à venir.

Initiatives récentes

Début 2009, le gouvernement américain a adopté l'*American Recovery and Reinvestment Act*, qui prévoit plusieurs mesures destinées à limiter les conséquences de la crise économique sur les jeunes. Par cette loi, environ 3 milliards de dollars supplémentaires ont été débloqués pour les programmes du *Workforce Investment Act* (WIA), dont 1.25 milliards de dollars pour les programmes consacrés spécifiquement aux jeunes éloignés de l'école et de l'emploi. En partant de l'hypothèse que les dépenses par participant restent inchangées et que la proportion des jeunes inscrits aux programmes ouverts à tous les groupes d'âge demeure constante, cette initiative bénéficierait à 240 000 jeunes de plus, soit deux fois plus en 2009 qu'avec les seuls

financements annuels. En outre, les autorités fédérales ont prévu des fonds pour que les États établissent une période alternative de référence pour le calcul des allocations-chômage, mesure qui permet d'étendre l'admissibilité aux chômeurs ayant peu cotisé et que 30 États ont accepté d'appliquer jusqu'à présent. Enfin, le *Recovery Act* prévoit des dépenses supplémentaires importantes pour l'éducation. Au cours des deux prochaines années, 150 milliards de dollars vont être consacrés : à la rénovation des établissements scolaires ; à l'enseignement spécial ; à *Head Start* et *Early Head Start*, les plus grands programmes fédéraux pour l'éducation des jeunes enfants ; ainsi qu'aux bourses Pell, aide financière aux étudiants universitaires à faible revenu.

Par ailleurs, au cours des dix dernières années, le pouvoir fédéral a lancé un certain nombre d'initiatives visant à améliorer les résultats des jeunes à l'école et sur le marché du travail.

Grâce à l'initiative *Good Start, Grow Smart* mise en place en 2002, les agences fédérales encouragent les États à harmoniser les principes sur lesquels reposent les programmes d'apprentissage précoce avec les programmes scolaires du secondaire. On sait en effet que les interventions qui se prolongent au-delà de l'éducation préscolaire peuvent renforcer les effets positifs importants que la participation aux programmes d'apprentissage précoce a sur les résultats scolaires et l'avenir professionnel des enfants issus de milieux défavorisés.

La même année, les autorités fédérales mettaient en place le *No Child Left Behind Act* (NCLB), qui rend les établissements et districts scolaires responsables des résultats de leurs élèves, résultats qui sont mesurés par un examen et par les pourcentages de diplômés. Les écoles les moins performantes risquent des sanctions de plus en plus sévères. Cette réforme a eu certains effets bénéfiques, notamment sur l'attention portée aux élèves les plus susceptibles d'abandonner leurs études. Cependant, des craintes ont été exprimées à propos de la fiabilité du calcul des pourcentages de diplômés dans plusieurs États ainsi que sur l'appauvrissement des programmes scolaires dû à la pression générée par l'examen. Le ministère de l'Éducation a tenté de répondre à la première de ces préoccupations en modifiant la loi fin 2008 de sorte que les États doivent : *i)* adopter un calcul unique des « pourcentages de diplômés » d'ici 2013 ; *ii)* établir des objectifs liés aux pourcentages de diplômés pour tous les élèves et par sous-groupes pour l'année scolaire 2008/09 ; et *iii)* améliorer l'information sur les services additionnels à disposition des élèves dans les établissements scolaires peu performants. D'autres changements sont prévus afin de réduire les pressions qui pèsent sur les enseignants pour qu'ils

« enseignent aux fins d'examen », notamment la mise en place de nouveaux outils d'évaluation en vue de mesurer le degré de préparation des élèves aux études supérieures et au monde du travail. En outre, une nouvelle loi a été proposée pour augmenter les pourcentages de diplômés grâce à des stratégies d'action dans le secondaire, notamment des plans scolaires personnels, des équipes pédagogiques, l'implication des parents, le tutorat, des cours intensifs de lecture et de mathématiques, ainsi que des heures de cours plus nombreuses. On ne sait pas encore comment ces nouvelles dispositions législatives pourraient s'articuler avec le NCLB.

S'agissant de la formation en alternance, un nouvel article de loi instauré fin 2008, a introduit des critères alternatifs d'achèvement. Outre l'achèvement fondé sur le temps consacré à la formation, deux autres approches sont désormais admises : l'*approche fondée sur les compétences*, selon laquelle l'apprenti doit démontrer ses compétences dans un domaine particulier de la formation ; et une *approche hybride*, qui englobe à la fois les heures de formation et des critères de compétence. Ce nouvel article de loi prévoit également la possibilité de délivrer des titres intermédiaires, qui offrent aux apprentis une reconnaissance du niveau qu'ils ont atteint à mi-chemin de la formation, tout en les encourageant à achever le programme. Ces changements sont le fruit d'un processus de modernisation initié avec le programme *Advancing Apprenticeship* en 2002. Les réformes portent également sur : des liens plus étroits avec le secondaire ; une collaboration accrue avec les *colleges* (établissements d'enseignement post-secondaire) pour faire en sorte que les apprentis puissent capitaliser des crédits en vue de décrocher un diplôme supérieur ; des contrats d'apprentissage plus nombreux et de meilleur niveau dans le secteur des services ; et, depuis 2004, l'enregistrement de nouveaux programmes d'apprentissage dans des secteurs en forte croissance.

Pour que les fonds destinés aux programmes ciblés sur les jeunes éloignés de l'école et de l'emploi soient utilisés à meilleur escient, le ministère du Travail a lancé en 2003 l'initiative *Shared Youth Vision*, qui vise à réunir les ressources de tous les organismes qui financent des actions en faveur des jeunes vulnérables. Par ailleurs, en favorisant une meilleure coordination et des systèmes de notification plus standardisés, cette initiative peut permettre d'alléger les charges administratives qui pèsent sur des programmes financés par de multiples agences. Dans ce contexte, des subventions ont été accordées à 16 États pour les aider à élaborer des plans d'action en vue de rapprocher les divers mécanismes destinés aux jeunes.

Enfin, en 2003, l'administration de la sécurité sociale a mis en œuvre les projets *Youth Transition Demonstration* afin de promouvoir l'emploi des jeunes bénéficiaires d'une pension d'invalidité. Les services offerts sont variables mais ils comprennent généralement des conseils sur les aides disponibles et l'orientation professionnelle, des placements et un soutien une fois l'emploi trouvé. Ces projets dérogent également à diverses règles régissant le droit à prestations – en particulier, les revenus des étudiants et les salaires ne sont pas retenus dans le calcul des niveaux des prestations – afin d'encourager les jeunes handicapés à chercher un emploi ou à prolonger leurs heures de travail. Ces projets sont en passe de subir une évaluation rigoureuse afin de juger de leur efficacité.

Recommandations proposées au vu des difficultés restantes

Les initiatives récemment mises en place vont dans le bon sens, mais il est urgent de prendre des mesures complémentaires, s'accompagnant d'une hausse sensible des financements, afin de s'assurer que les jeunes qui vont quitter l'école pendant la crise actuelle n'iront pas grossir les rangs déjà nombreux des jeunes Américains éloignés de l'école et de l'emploi. En outre, les mesures en place doivent être ajustées et/ou transposées à plus grande échelle pour pouvoir faire face aux difficultés structurelles auxquelles se heurtent les jeunes sur le marché du travail.

Plus précisément, le gouvernement fédéral doit concentrer son action sur trois axes : *i)* veiller à ce que les jeunes quittent l'école en ayant acquis les compétences requises sur le marché du travail ; *ii)* atteindre davantage de jeunes éloignés de l'école et de l'emploi et améliorer les services disponibles pour les aider à trouver du travail ; et *iii)* analyser l'effet de la hausse du salaire minimum sur les perspectives d'emploi des adolescents.

Veiller à ce que les jeunes quittent l'école en ayant acquis les compétences requises sur le marché du travail

Il est essentiel de réduire la proportion des jeunes qui n'ont pas ou peu de qualifications afin de résorber les difficultés auxquelles les jeunes sont confrontés aux États-Unis. En 2006, 77 % seulement des jeunes de 18 ans étaient diplômés du deuxième cycle du secondaire, contre 82 % en moyenne dans l'OCDE. Si les pourcentages de diplômés étaient calculés de manière précise et uniforme en utilisant la méthode des cohortes, ces chiffres seraient sans doute encore plus bas.

À cet égard, les modifications récentes apportées au NCLB constituent une étape importante en vue de mesurer correctement les pourcentages de diplômés et de renforcer la responsabilité des établissements secondaires dans ce domaine.

La plupart des jeunes qui quittent tôt le système scolaire arrêtent leurs études après la scolarité obligatoire, mais certains abandonnent encore plus tôt en profitant de dérogations à l'obligation scolaire appliquées dans certains États ou en tirant parti d'une mauvaise application de la loi. Actuellement aux États-Unis, 21 États autorisent les jeunes à quitter l'école à 14 ans avec le consentement de leurs parents ou pour un emploi, même si cette décision est subordonnée à l'approbation du district scolaire. De fait, même dans les États où les jeunes doivent rester à l'école jusqu'à l'âge de 18 ans, pas moins de 4 % des 14-17 ans n'étaient pas scolarisés en 2006. De nombreux jeunes qui quittent le lycée sans diplôme obtiennent par la suite un titre du deuxième cycle du secondaire, la plupart du temps en passant l'examen *General Education Development* (GED). Si ce titre améliore leurs perspectives professionnelles, plusieurs études montrent que ce n'est qu'une solution de second choix par rapport à un diplôme obtenu à la fin des études secondaires.

Les données tirées d'évaluations rigoureuses montrent que l'inscription des jeunes enfants dans des programmes préscolaires de qualité permet d'améliorer les taux de poursuite des études et d'augmenter les revenus à l'âge adulte. Aux États-Unis, les programmes d'apprentissage précoce, qui sont du ressort des États, se concentrent sur les enfants de milieux défavorisés, qui sont susceptibles de tirer davantage profit de ces initiatives. En outre, le pouvoir fédéral finance deux programmes nationaux d'éducation préscolaire : *Head Start* pour les enfants de 3 à 5 ans et *Early Head Start* pour ceux de 0 à 3 ans. Cependant, malgré l'importance des actions précoces, le nombre des enfants de 0 à 3 ans qui bénéficient des programmes qui leur sont destinés est nettement inférieur à celui des enfants d'âge préscolaire. Le fait que le programme *Good Start, Grow Smart* mette l'accent sur les interventions *soutenues* au-delà du stade préscolaire va dans le bon sens, car les aptitudes cognitives et non cognitives acquises pendant la prime enfance ne sont ainsi pas oubliées lorsque l'enfant entre à l'école primaire.

La formation professionnelle est déterminante pour atteindre les jeunes qui manifestent peu d'intérêt pour l'école. Le manque d'une filière professionnelle dans l'enseignement secondaire aux États-Unis représente donc un obstacle de taille pour retenir ces jeunes. Il a été démontré que les *Career Academies* – sections spéciales au sein des

lycées, proposant des programmes alliant formation théorique et technique dans un environnement pédagogique soucieux du bien-être des élèves – amélioraient les taux d'emploi des jeunes hommes qui risquent d'abandonner leurs études, mais trop peu d'établissements scolaires dans le pays proposent cette formule. En outre, les programmes alternatifs de formation à visée professionnelle, proposés en dehors des établissements publics, peuvent aider les jeunes confrontés à des barrières spécifiques à l'entrée sur le marché du travail grâce à des solutions ciblées. Malheureusement, rares sont les jeunes vulnérables à en bénéficier en raison d'importantes difficultés de financement. Un groupe ne fait actuellement l'objet d'aucun programme alternatif spécifique de formation, celui des mères adolescentes. Des constatations provenant de Nouvelle-Zélande montrent que les mères adolescentes tirent avantage des programmes d'enseignement alternatifs offrant une formation, mais aussi un certain nombre de services d'aide, allant de la garderie sur place jusqu'aux consultations familiales.

Les formations par l'apprentissage représentent une solution de choix, mais le programme reste globalement limité et la part des jeunes employés qui y participent n'est que de 0.6 %. Son développement se révèle malheureusement difficile, en particulier parmi les employeurs non syndiqués qui jugent compliqué de gérer et de soutenir la formation par apprentissage. Pour surmonter cette difficulté, on peut s'inspirer par exemple de l'Australie et du Royaume-Uni, où, faute d'un engagement fort de la part des syndicats, les autorités prennent une part plus active en garantissant l'enseignement théorique et en subventionnant les coûts de la formation. Pour adopter cependant ces bonnes pratiques aux États-Unis, il faudrait entreprendre une révision conséquente de l'actuel système en vigueur, incluant d'importantes subventions fédérales, une baisse du salaire minimum des apprentis, ainsi qu'un rôle plus étendu de l'*Office of Apprenticeships* – l'agence fédérale compétente – afin qu'il dispose de plus de financements. Si ces changements ne sont pas entrepris, il est peu probable que cette agence fédérale, chargée simplement à l'heure actuelle d'enregistrer les nouveaux programmes et de garantir qu'ils respectent les normes en vigueur, soit en mesure d'étendre l'apprentissage au-delà du modèle élitiste qui prévaut.

S'agissant de l'enseignement supérieur, la nette hausse des bourses Pell – qui sont passées il y a peu de 19 à 27 milliards de dollars pour les deux prochaines années – et la simplification de la procédure de demande vont aider plus de jeunes ayant des revenus modestes à entreprendre des études supérieures. Toutefois, les pourcentages de diplômés doivent

augmenter si les États-Unis veulent améliorer leur classement international en ce qui concerne le niveau d'instruction. À peine 55 % des étudiants inscrits à l'université obtiennent leur diplôme dans les six ans – le pire pourcentage parmi les pays de l'OCDE après celui de l'Italie. Bien que les règles de financement des États, qui s'appuient sur les admissions et non sur les crédits obtenus ou sur les taux de diplômés, contribuent à ces médiocres résultats, le pouvoir fédéral ne dispose que de peu d'outils pour s'attaquer à ce problème. En revanche, les actions visant à améliorer les résultats des élèves dans le secondaire – notamment à travers le NCLB – sont essentielles, dans la mesure où l'échec dans le supérieur s'explique également par le fait que de nombreux étudiants arrivent à l'université mal préparés et ont besoin d'une solide remise à niveau.

Le gouvernement américain devrait pallier aux faiblesses des mesures existantes pour pouvoir venir à bout des difficultés que connaît actuellement le système éducatif. Pour ce faire, les actions suivantes devraient être entreprises :

- *Étendre les programmes existants d'éducation des jeunes enfants et mettre l'accent sur les interventions soutenues.* Les programmes d'éducation préscolaire qui ont subi des évaluations rigoureuses et se sont révélés bénéfiques pour les résultats scolaires des enfants – par exemple, *Head Start* et *Early Head Start* – devraient être étendus pour atteindre davantage de familles défavorisées. L'accent devrait être mis en premier lieu sur les enfants de 0 à 3 ans, dans la mesure où les actions précoces sont les plus efficaces et où ce groupe est actuellement moins bien pris en compte que les enfants d'âge préscolaire. Il convient aussi d'accorder une attention toute particulière au passage à l'école primaire. Les enfants et leurs parents doivent être soutenus pendant cette phase afin de s'assurer que les bénéfices des actions préscolaires ne soient pas perdus.
- *Tirer le meilleur parti possible du NCLB afin que les taux d'obtention de diplômés soient correctement mesurés et que les établissements et districts scolaires soient tenus responsables des résultats.* En particulier : *i)* encourager les États à instaurer un suivi longitudinal des élèves à partir d'un système commun d'identifiant unique permettant un calcul précis des taux d'obtention de diplômés ; *ii)* imposer aux établissements scolaires des objectifs à atteindre concernant les taux d'obtention de diplômés, globalement et pour des sous-groupes spécifiques ; et *iii)* donner à ces objectifs obligatoires un caractère contraignant.

- *Rendre les établissements secondaires du deuxième cycle responsables du degré de préparation de leurs élèves à l'université et au monde du travail.* La proposition récente de remplacer les épreuves de lecture, écriture et calcul par des outils d'évaluation du degré de préparation des élèves à l'université et au monde du travail dans le contexte du NCLB devrait être approuvée.

- *Réduire l'utilisation des examens GED au profit des diplômes de fin d'études secondaires obtenus à l'école ou dans des* chartered schools. Il faudrait pour cela encourager les jeunes ayant quitté l'école sans diplôme qui participent à des programmes d'employabilité – en particulier les plus jeunes – à obtenir un diplôme scolaire plutôt qu'un GED.

- *Développer des* Career Academies *dans tout le pays.* Les *Career Academies* devraient devenir un modèle pour la formation professionnelle dans l'enseignement secondaire, et le financement de leur développement devrait être directement assuré par le ministère de l'Éducation.

- *Envisager de repousser l'âge de fin de scolarité obligatoire à 18 ans dans les États où ce n'est pas déjà le cas*, éventuellement en s'attachant à retenir les élèves jusqu'à l'obtention de leur diplôme plutôt qu'en imposant l'obligation scolaire jusqu'à un âge défini, ainsi qu'en ont récemment décidé les Pays-Bas et l'Angleterre. Pour qu'une mesure de ce type ait du succès, les parcours scolaires doivent être élargis – notamment à travers les *Career Academies* – afin d'intéresser les jeunes qui auraient abandonné l'école si elle n'était pas obligatoire. Cet âge de fin de scolarité plus élevé devrait être assorti de moins de dérogations pour les 16-18 ans et ne devrait comporter aucune dérogation pour les jeunes de 14 à 16 ans.

- *Veiller à ce que des fonds supplémentaires soient consacrés à des programmes alternatifs d'enseignement de qualité.* Ce point est essentiel pour augmenter la part des jeunes vulnérables pouvant prétendre au modèle d'enseignement alternatif. Le district scolaire de Portland en est un bon exemple puisque les fonds alloués suivent chaque jeune, quel que soit l'endroit où il suit sa formation, y compris dans les établissements d'enseignement alternatif.

- *Appliquer le modèle d'enseignement alternatif aux mères adolescentes.* Le risque que les mères adolescentes s'éloignent

de l'école et du marché du travail est très élevé. Parce qu'il leur est difficile d'aller à l'école publique au vu de leurs responsabilités, les jeunes mères peuvent tirer avantage d'une aide spécialisée pour compléter leur scolarité et acquérir des compétences professionnelles.

- *Élargir le rôle de l'*Office of Apprenticeships *pour y ajouter la responsabilité du financement, et autoriser le versement de subventions fédérales aux employeurs.* Il est essentiel de rémunérer les employeurs qui offrent des contrats d'apprentissage pour les encourager à embaucher plus d'apprentis. En outre, les subventions pourraient être ventilées par âge et qualifications, comme en Australie et au Royaume-Uni, et des salaires de départ en-dessous du salaire minimum pourraient être envisagés. Certains employeurs peuvent trouver difficile de fournir une formation théorique sans le soutien des syndicats. Le financement et/ou la certification des prestataires de formation privés, à l'exemple là encore de l'Australie et du Royaume-Uni, aideraient les employeurs à organiser une formation théorique de qualité.

- *Promouvoir les contrats d'apprentissage pour les adolescents.* L'*Office of Apprenticeships* et les agences chargées de l'apprentissage dans les États devraient diffuser les exemples de bonne pratique dans ce domaine. En particulier, l'État du Michigan a mis en place un programme intitulé *School to Registered Apprenticeships*, consistant à accorder des crédits d'impôt remboursables aux employeurs qui embauchent des jeunes de moins de 20 ans faiblement qualifiés comme apprentis. Pour avoir droit au crédit d'impôt, le jeune doit étudier en vue d'obtenir un diplôme secondaire du deuxième cycle ou un certificat GED. Si son rôle était élargi, l'*Office of Apprenticeships* pourrait également organiser des programmes de pré-apprentissage et accorder des subventions aux employeurs qui embauchent les jeunes diplômés de ces cours comme apprentis. En Australie, les employeurs qui accueillent des apprentis ayant suivi un apprentissage à l'école – c'est-à-dire un programme préparant les jeunes, pendant les deux dernières années du secondaire, à commencer un apprentissage après l'obtention de leur diplôme – se voient accorder plus de subventions. Un programme de ce type pourrait aider les jeunes qui manifestent peu d'intérêt pour l'enseignement théorique à préparer une formation professionnelle basée sur l'apprentissage.

- *Encourager les PME souhaitant accueillir des apprentis à se regrouper*. L'*Office for Apprenticeships* devrait encourager les petites entreprises des zones rurales/isolées, où la prestation privée de formation est difficile, à unir leurs forces pour former des apprentis. Les *Group Training Associations* au Royaume-Uni jouent ce rôle et obtiennent d'assez bons résultats dans la mesure où les employeurs participants peuvent superviser les classes et les relier à la formation sur poste.

Atteindre davantage de jeunes éloignés de l'école et de l'emploi et améliorer les services disponibles pour les aider à trouver du travail

Les estimations du nombre de jeunes éloignés de l'école et de l'emploi aux États-Unis – définis dans le *Workforce Investment Act* (WIA) comme les jeunes à faible revenu qui se heurtent à une ou plusieurs difficultés en termes d'emploi ou de formation – varient très fortement autour d'une moyenne de 5 millions environ. Ce groupe se confond sans doute largement avec celui des jeunes sortis du secondaire au début des années 2000 et qui ont glissé dans l'inactivité après avoir quitté l'école – un groupe qui atteindrait 6 % environ d'après le rapport. Avec la crise économique actuelle, ce groupe pourrait non seulement croître fortement, mais un autre groupe de jeunes piégés dans le chômage de longue durée pourrait également apparaître. La frontière entre ces deux groupes est particulièrement floue dans le cas des jeunes, puisque l'on sait qu'ils se découragent plus facilement que les adultes – autrement dit, ils quittent le marché du travail sans reprendre de formation après une période de chômage.

Dans la situation actuelle, les financements additionnels débloqués au titre du *Recovery Act* pour des programmes destinés aux jeunes vulnérables vont dans le bon sens. Toutefois, une augmentation permanente des crédits ouverts annuellement doit être une priorité. Malheureusement, la plupart des évaluations menées sur les programmes visant les jeunes très défavorisés, aux États-Unis comme dans d'autres pays de l'OCDE, ont produit des résultats décevants. De fait, les jeunes éloignés de l'école et de l'emploi forment un groupe très disparate, avec des besoins très complexes et des problèmes multiples, allant du manque de compétences élémentaires à des difficultés comportementales et des problèmes d'alcoolisme et de drogue. Certaines actions sont néanmoins encourageantes et les dépenses supplémentaires devraient se concentrer exclusivement sur les programmes potentiellement bénéfiques.

Le ministère du Travail finance un certain nombre de programmes ciblés sur les jeunes éloignés de l'école et de l'emploi afin de les aider à recréer des liens avec la formation et le monde du travail. D'un côté, en vertu du WIA, le ministère verse des financements fédéraux aux États et aux conseils WIA locaux, qui proposent un éventail complet de services de formation, d'emploi et de suivi pour les 14-21 ans. De l'autre, certains programmes pour les jeunes de portée nationale reçoivent des financements fédéraux distincts.

Les programmes financés au titre des dispositions du WIA relatives aux jeunes présentent des structures et des contenus différents, mais ils doivent tous fournir : *i)* des services d'enseignement et de formation conduisant à un diplôme du deuxième cycle du secondaire ; *ii)* une aide à la formation professionnelle et au placement ; *iii)* des services d'orientation, de conseil et d'encadrement par des adultes ; et *iv)* des services de suivi. Exception faite de la hausse temporaire des financements accordée au titre du *Recovery Act*, le WIA touche moins de 5 % des jeunes éloignés de l'école et de l'emploi et les financements se sont réduits au cours des dernières années. Si le nombre des bénéficiaires pouvait doubler provisoirement grâce aux fonds du *Recovery Act*, le nombre des jeunes éloignés de l'école et de l'emploi devrait également s'accroître à cause de la crise, il est donc peu probable que le pourcentage des jeunes bénéficiaires augmente beaucoup. Les contraintes financières font que les hausses plus que nécessaires des fonds alloués aux jeunes non scolarisés – d'autant plus importantes compte tenu du taux de chômage extrêmement élevé des jeunes – ne peuvent être obtenues qu'en réduisant la part maximale de 70 % consacrée aux programmes destinés aux jeunes scolarisés. Bien que les jeunes non scolarisés représentent un groupe plus problématique, il est tout aussi important d'agir de manière précoce sur les jeunes scolarisés mais vulnérables, en particulier dans les zones où les solutions alternatives de formation sont limitées. En outre, les financements destinés aux jeunes scolarisés ont déjà souffert de la suppression du programme *Summer Jobs*, une décision qui pour de nombreux analystes est à l'origine de la dégradation des perspectives d'emploi des adolescents avant la crise actuelle. Des investissements fédéraux accrus sont également nécessaires pour permettre aux collectivités de reproduire et de transposer à plus grande échelle, là où les besoins sont les plus aigus, les programmes qui ont prouvé leur efficacité.

La seconde série d'actions financée par le ministère du Travail comprend un certain nombre de programmes fédéraux qui se sont révélés efficaces au moins pour un sous-groupe de leur population

cible, notamment les *Youth Opportunity Grants*, *Job Corps* et *YouthBuild*. Tous ces programmes, à l'exception de *YouthBuild* (programme de formation scolaire et professionnelle spécialisé dans le secteur du bâtiment) ont été examinés à la loupe pour juger de leur efficacité. S'ils sont relativement chers, entre 15 000 et 25 000 dollars par participant, ils sont efficaces et ils entraînent des économies non négligeables comparé à la prison – environ 80 000 dollars par détenu et par an – qui représente dans certains cas la destination la plus probable des jeunes concernés s'ils ne participaient pas à ce programme. Malgré les avantages avérés qu'offrent ces programmes par rapport à leur coût, certains problèmes de financement se posent là aussi.

Les *Youth Opportunity Grants*, qui avaient pour objectif de concentrer de multiples services orientés vers l'emploi et la formation des jeunes dans les zones très pauvres, ont permis de réduire les pourcentages de jeunes qui ne sont ni en emploi, ni en formation et d'augmenter le taux d'inscription dans le secondaire pour plusieurs sous-groupes de jeunes vulnérables. Malheureusement, les financements et les aides disponibles dans les zones très défavorisées pour mettre en œuvre ce programme ont cessé en 2005. Les *Career Academies* font également partie de programmes efficaces dont le développement est freiné par des financements limités.

Job Corps – programme d'internat mis en place il y a longtemps pour proposer à des jeunes vulnérables des cours de remise à niveau et du soutien pour se préparer à l'emploi – fait exception car son développement dans le temps a été rendu possible par des aides financières élevées et croissantes. Cependant, malgré une hausse constante du nombre de centres et de participants, *Job Corps* ne peut aider que 60 000 jeunes par an, à peine plus de 1 % du nombre estimé des jeunes éloignés de l'école et de l'emploi dans l'ensemble du pays. Avec un coût unitaire approximatif de 25 000 dollars, une augmentation du nombre des participants exigerait des hausses considérables des dépenses dont l'efficacité devrait être justifiée. Malheureusement, des évaluations rigoureuses de *Job Corps* n'ont montré un rapport coût/efficacité favorable que pour les participants âgés de 20 à 24 ans. De fait, si les premières évaluations reposant sur des données d'enquête avaient démontré que ce programme permettait à *tous* les participants d'augmenter leurs revenus, une étude plus récente, fondée sur des données administratives s'étalant sur une période plus longue, n'a pas permis de mettre en évidence des effets positifs sur le revenu des jeunes au-delà de quatre ans après l'entrée dans le programme. Les chercheurs semblent penser que certaines caractéristiques du programme peuvent

expliquer cet écart : les 20-24 ans passent plus de temps en moyenne sur *Job Corps* et suivent plus d'heures de cours de formation professionnelle pendant qu'ils sont inscrits. Une initiative lancée récemment par le ministère du Travail peut également aider à améliorer le rapport coût/efficacité du programme. À travers cette initiative, appelée *New Vision*, les compétences transférables seront mises en avant et l'on cherchera à s'assurer que la formation fournie répond aux attentes des entreprises.

Des systèmes d'évaluation des résultats assez rigoureux ont été mis en place pour tous les programmes financés par le ministère du Travail. Toutefois, deux domaines devraient être améliorés. Premièrement, la plupart des objectifs de performance ne tiennent pas compte des conditions locales du marché du travail ni des caractéristiques des participants. Deuxièmement, malgré l'importance accordée à l'employabilité à long terme des participants, les résultats sont rarement mesurés au-delà de six à douze mois après la fin du programme. De fait, seuls certains objectifs du programme *Job Corps* sont adaptés pour prendre en compte la situation locale du marché de l'emploi et/ou évalués jusqu'à 12 mois après la sortie du programme. Les participants aux programmes du WIA, quant à eux, ne sont suivis que jusqu'à six mois après leur sortie et aucun des objectifs ne fait l'objet d'adaptations.

La priorité accordée aux jeunes éloignés de l'école et de l'emploi plutôt qu'au sous-groupe des jeunes bénéficiaires d'allocations-chômage constitue un élément essentiel des programmes du marché du travail aux États-Unis. En effet, les jeunes chômeurs – qui sont entrés sur le marché du travail et ont acquis une certaine expérience – sont souvent loin d'être les plus vulnérables. De plus, rares sont les jeunes Américains à avoir cotisé suffisamment longtemps pour pouvoir toucher des allocations-chômage, mais pour ceux qui sont dans ce cas, les périodes de chômage sont généralement plus courtes que celles des adultes. Comme les allocations ne sont versées que pendant six mois maximum et que leurs montants sont modestes, la dépendance à l'égard des prestations ne constitue pas un problème majeur, malgré des obligations de recherche d'emploi limitées.

Ces structures vont sans doute être mises à dure épreuve par la crise économique actuelle. De tous les groupes d'âge, ce sont les jeunes qui ont subi la plus forte hausse du chômage jusqu'à présent, alors que ce sont les moins susceptibles de bénéficier des extensions temporaires des durées de prestations mises en place pour lutter contre la crise. Par ailleurs, la période alternative de référence pour les allocations-chômage proposée et financée par le pouvoir fédéral

améliorera peut-être la prise en charge des jeunes ayant une expérience professionnelle limitée, mais tous les États n'ont pas accepté de l'appliquer. Une longue période sans aide sociale pourrait pousser certains jeunes à se retirer du marché du travail, pour venir éventuellement grossir les rangs des jeunes éloignés de l'école et de l'emploi à moyen terme. Les mesures d'urgence prises récemment peuvent avoir des effets positifs si elles reposent sur le respect du principe d'obligations réciproques, autrement dit une stricte obligation de recherche d'emploi (avec la menace d'une réduction modérée des prestations en cas de non-respect) en échange de services de réinsertion efficaces.

Lors de l'adoption des lois relatives aux programmes destinés aux jeunes éloignés de l'école et de l'emploi, les autorités fédérales devraient garder à l'esprit les recommandations suivantes :

- *Décider d'une hausse marquée et permanente des financements fédéraux alloués aux programmes efficaces consacrés aux jeunes éloignés de l'école et de l'emploi.* Cette hausse des financements fédéraux est essentielle face à la crise économique actuelle. Un net accroissement des fonds permettrait d'aider plus de jeunes non scolarisés sans sacrifier les initiatives réservées aux jeunes scolarisés appartenant à des groupes vulnérables. Les collectivités locales devraient néanmoins être tenues de justifier les dépenses qu'elles consacrent aux jeunes scolarisés en fonction de la situation locale et de la façon dont les services proposés complètent efficacement d'autres programmes et services disponibles dans le cadre du secteur éducatif.

- *Encourager les programmes en faveur des emplois d'été pour les jeunes scolarisés appartenant à des groupes vulnérables et participant à des initiatives fédérales.* De nombreux analystes ont souligné le rôle que le programme *Summer Jobs* avait joué sur l'avenir professionnel des jeunes au sortir de l'école. De fait, ce programme permettait d'offrir des expériences professionnelles intéressantes à des jeunes qui ne pouvaient guère compter sur leur entourage, et empêchait des comportements à risque pendant les vacances scolaires. L'intérêt à l'égard des emplois d'été pour les jeunes est réapparu face à la crise actuelle et les pouvoirs publics ont souligné que les fonds supplémentaires destinés aux programmes relatifs aux jeunes au titre du *Recovery Act* devaient être consacrés en priorité à des programmes de ce type.

- *Apporter des financements et des aides afin de renforcer les capacités de prestation des services destinés aux jeunes dans les zones très pauvres.* Les *Youth Opportunity Grants*, qui portaient sur une collectivité entière plutôt que sur les jeunes éloignés de l'école et de l'emploi uniquement, ont permis de réduire sensiblement les pourcentages de jeunes ni en emploi, ni en formation. Leur exemple devrait être repris.
- *Étendre le programme* Job Corps *pour les jeunes adultes et améliorer son efficacité pour les adolescents.* Étant donné l'efficacité de ce programme par rapport à son coût pour les jeunes adultes, son développement devrait porter en premier lieu sur ce groupe. Parallèlement, des efforts supplémentaires devraient également être faits pour soutenir les revenus des adolescents au-delà du court terme, afin d'améliorer l'efficacité du programme pour ce groupe d'âge. Les évaluations menées donnent à penser que l'on devrait en priorité chercher à inciter les jeunes à rester dans le programme plus longtemps et à participer d'avantage à aux cours de formation professionnelle. Une nouvelle évaluation plus rigoureuse de l'efficacité de ces actions devrait être réalisée avant que le programme ne soit également étendu pour les adolescents.
- *S'assurer que les critères d'évaluation des performances permettent de récompenser les meilleurs programmes consacrés aux jeunes éloignés de l'école et de l'emploi.* Le nouveau système d'évaluation devrait améliorer celui utilisé pour les programmes du WIA et *Job Corps* sur deux points. Premièrement, la procédure d'évaluation devrait prendre en compte la situation du marché du travail au niveau local ainsi que les caractéristiques des participants. On peut prendre pour exemple le système *Star Rating* utilisé pour évaluer les résultats des prestataires du programme *Job Network* en Australie. Dans ce système, les notes sont établies à partir d'un modèle de régression reposant sur le nombre d'emplois ou sur les résultats obtenus par un site compte tenu des caractéristiques de ses usagers et du marché du travail local. Deuxièmement, la procédure d'évaluation devrait comporter des objectifs à plus long terme, au-delà des 12 mois actuels applicables à certains des objectifs de *Job Corps*.
- *Lancer une évaluation expérimentale de* YouthBuild. *YouthBuild* est le seul grand programme fédéral qui n'a pas encore été soumis à une évaluation rigoureuse. Il coûte entre 15 000 et 18 000 dollars

par participant et a bénéficié d'un financement additionnel de 50 millions de dollars au titre du *Recovery Act*.

- *Assouplir temporairement les conditions ouvrant droit aux allocations-chômage pour les jeunes ayant une certaine expérience professionnelle, mais appliquer des obligations de recherche d'emploi plus strictes*. Étant donné la gravité de la crise économique actuelle, une réduction provisoire de la durée de cotisation ouvrant droit aux allocations-chômage contribuerait à empêcher certains jeunes de s'éloigner du marché du travail. Le pouvoir fédéral pourrait débloquer les fonds supplémentaires nécessaires pour appliquer ces mesures temporaires au niveau des États, ainsi qu'il l'a fait pour l'application d'une autre période de référence pour le calcul des prestations. Autre solution, les pouvoirs publics pourraient créer un fonds d'assurance-chômage fédéral pour les jeunes. Dans les deux cas, le soutien financier doit être assorti d'obligations de recherche d'emploi plus rigoureuses s'accompagnant de la menace d'une réduction modérée des prestations pour éviter toute dépendance envers le système.

- *Envisager l'application du principe d'obligations réciproques aux bénéficiaires d'allocations-chômage.* L'application de ce principe offrirait la possibilité de diriger les jeunes chômeurs les plus vulnérables vers les programmes d'employabilité disponibles. Cela permettrait également d'aligner les pratiques en vigueur aux États-Unis avec celles de plusieurs autres pays de l'OCDE. Au vu de la crise économique actuelle, il serait particulièrement important de prendre rapidement une décision dans ce sens.

Analyser l'effet de la hausse du salaire minimum sur les perspectives d'emploi des adolescents

Le *Fair Labor Standards Act* de 2007 a autorisé une hausse importante du salaire minimum fédéral, qui est passé de 5.15 à 7.25 dollars de l'heure en trois étapes, entre juillet 2007 et juillet 2009. La possibilité d'augmenter encore le salaire minimum et de l'indexer sur l'inflation a récemment été avancée par le gouvernement fédéral actuel.

En 2007, avant que ces augmentations ne prennent effet, le ratio entre le salaire minimum fédéral et le salaire médian était, à 0.34, le plus bas des pays de l'OCDE après celui du Mexique. Bien que certains États enregistrent des ratios entre salaire minimum et salaire médian bien plus élevés que le niveau fédéral, les plus élevés ne font qu'approcher la moyenne de l'OCDE de 0.45. En conséquence, seuls

5.8 % des jeunes hommes et 8.1 % des jeunes femmes percevaient le salaire minimum en 2007, et plus de 70 % d'entre eux étaient passés à un salaire supérieur en 2008. Cependant, même à cette période, certains jeunes étaient plus touchés que d'autres, notamment, 16 % des 16-18 ans étaient employés au salaire minimum en 2007.

C'est pourquoi le relèvement de 40 % approuvé en 2007 pourrait compromettre les perspectives d'emploi de certains jeunes, notamment des adolescents, en particulier au vu de la grave crise actuelle. Même si le salaire médian devait progresser au même rythme qu'au cours des cinq dernières années, le ratio entre salaire minimum et salaire médian atteindrait 0.4 en juillet 2009. Ce chiffre serait encore inférieur à la moyenne de l'OCDE applicable aux adultes mais il serait supérieur au ratio de 0.37 applicable aux jeunes de 17 ans dans les pays de l'OCDE qui ont instauré un salaire minimum plus faible pour les jeunes.

La hausse du salaire minimum répond à la volonté de valoriser le travail, mais il est important que ses répercussions sur l'emploi des adolescents soient isolées des effets de la récession économique actuelle. Il serait donc souhaitable :

- *D'analyser l'incidence de la hausse approuvée du salaire minimum fédéral sur les adolescents.* La chute des taux d'emploi des adolescents au cours des dix dernières années justifie un examen approfondi des conséquences que le relèvement du salaire minimum peut avoir une fois les facteurs conjoncturels pris en compte. Par ailleurs, ses effets sur les taux de poursuite des études devraient être analysés, dans la mesure où des études indiquent que les élèves des milieux les plus modestes sont incités à quitter l'école pour chercher du travail lorsque le salaire minimum est trop élevé. Les conclusions de cette analyse devraient être utilisées pour étayer les décisions relatives à des hausses futures du salaire minimum.

INTRODUCTION

Improving the performance of youth in the labour market is a crucial challenge in OECD countries. Population ageing is looming but this is not a magic pill to solve young people's problems. While smaller youth cohorts are likely to create more opportunities for youth, it is crucial that young people possess the skills required in today's and tomorrow's labour market.

Over the past decade, youth in the United States have, on average, performed better on the labour market than many of their OECD counterparts. However, their employment rate had not fully recovered from the early 2000s economic slowdown when the global financial crisis started to unfold in 2008. Since then, the youth employment rate has fallen significantly and, given the severity of the labour market adjustment in the current downturn, it is likely to deteriorate further in the year to come. In addition, the challenges observed prior to the current crisis remain. Notably, average employment and unemployment rates hide considerable variation across sub-groups of the youth population, with certain groups being at very high risk of inactivity and/or getting trapped in so-called "dead-end" jobs.

Starting in 2002, a number of initiatives have been launched at the federal level to respond to the challenges faced by the most at-risk youth. Most of this legislation is now awaiting re-authorisation which makes it a good time to review what has been achieved and what needs to be improved. Also, the stimulus package approved to help the economy recover from recession includes additional funding on education and on programmes targeted on disconnected youth. For this money to be well spent, it is important to identify the learning routes that best prepare youth for labour market entry and the programmes that have a long-term positive impact on participants' employment outcomes and earnings.

The purpose of this report is to point to areas where change or improvement is necessary and possible. Chapter 1 presents basic facts on the situation of youth in the US labour market. The role of education and training in shaping the transition from initial learning to the labour market is analysed in Chapter 2. The demand-side barriers to youth employment are explored in Chapter 3. Finally, Chapter 4 analyses workforce development measures available for disconnected youth and discusses the role played by the benefit system.

CHAPTER 1

THE CHALLENGE AHEAD

The initial steps of youth in the labour market are often characterised by spells of unemployment and significant job mobility. For some youth, the initial difficulties are easily resolved while others struggle to overcome the challenges they face. The purpose of this chapter is to draw a picture of the challenges facing youth in the United States using aggregate indicators of labour market performance and measures describing school-to-work transitions.

Standard labour market indicators, such as youth employment and unemployment rates, while useful, hide considerable variation across individuals with different socio-demographic characteristics. They also fail to capture the *dynamic* nature of transitions from school to work. On the other hand, measures describing the process of transition fail to provide a more aggregate picture and are difficult to compare across countries. As a result, both sets of indicators are essential to understand why some school-leavers move on to stable employment quickly, others face a precarious beginning but manage to overcome it and yet others remain trapped in dead-end situations.

The aggregate labour market performance of youth over the past decade is examined in Sections 1 and 2. Section 3 presents standard labour market indicators by socio-demographic characteristics. Section 4 focuses on the key steps in the transition from school to work while the final section examines the pathways behind these key steps.

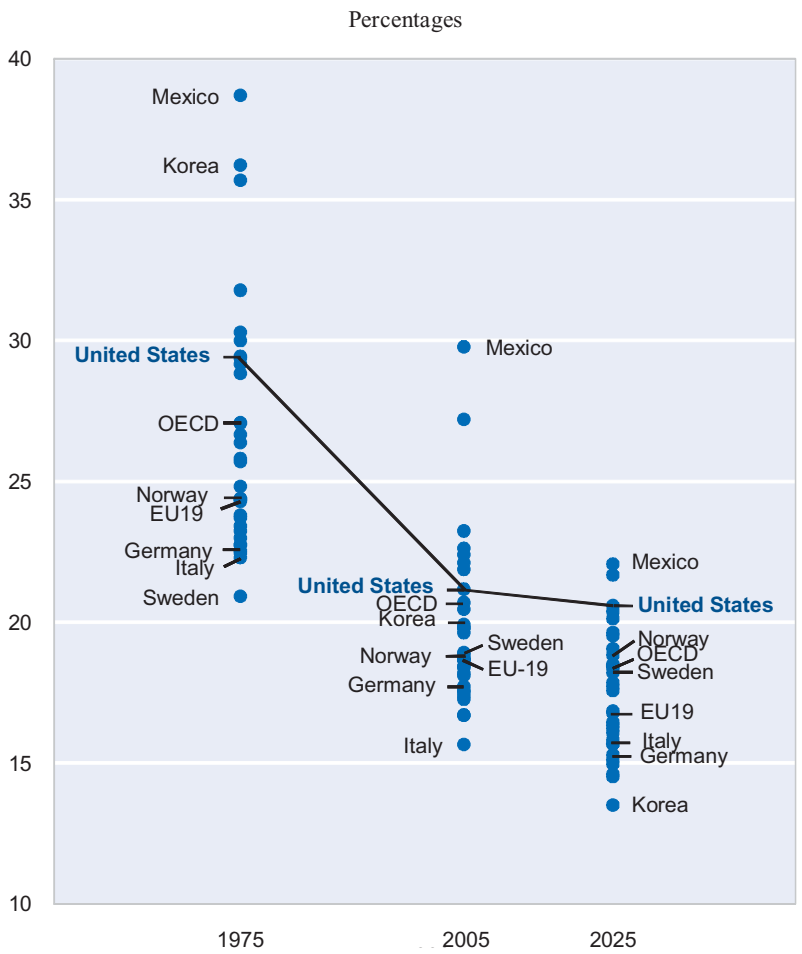
1. Demographic projections

A. The share of youth in the working-age population declined sharply between 1975 and 2005

The United States has a relatively high share of youth in the working-age population. However, between the mid-1970s and 2005, this

share declined from 29% to just 21%, a steeper fall than in the OECD on average. On the other hand, the size of younger cohorts relative to that of their older counterparts is projected to decline only slightly to 20% between now and 2025 while a more pronounced reduction is projected in many other OECD countries (Figure 1.1).

Figure 1.1. **Share of youth in the working-age population in OECD countries, 1975-2025**[a]



a) Ratio of the population aged 15-24 to the population aged 15-64.

Source: National projections and United Nations projections for 2006 for Australia, Denmark, New Zealand and Spain; 2004 for Luxembourg; 2005 for all the other countries.

B. The ethnic composition of the 16-24-year-old group is projected to change

Because population ageing affects different ethnic groups in different ways, the ethnic composition of the United States population is projected to change over the next five decades. As Table 1.1 shows, in 2050, the Hispanic share of the 16-24-year-old population is projected to be 12 percentage points higher than it was in 2000 while the White, non-Hispanic share is expected to fall by 18 percentage points over the same period. In 2050, there are also likely to be more youth of Asian origin while the Black share is projected to remain stable. Hence, policies that reduce social and economic segregation among youth of different ethnic backgrounds – notably, those aimed at improving school performance and retention – will play an even more crucial role in the years to come.

Table 1.1. **Ethnic composition of the United States population, 2000-50**

Percentage of the population in each age group[a]

	0-15	16-19	20-24	25-29	30-64	65+
			2000			
White	76.7	77.9	78.2	78.4	82.4	88.4
Asian	3.6	3.9	4.4	5.3	3.9	2.4
Black	15.7	14.9	14.4	13.7	11.8	8.2
Hispanic origin (of any race)	17.4	15.9	17.9	17.7	10.4	5.0
White, non-Hispanic	60.9	63.3	61.6	62.0	72.8	83.7
			2025			
White	73.4	74.0	74.4	74.7	76.6	83.5
Asian	5.0	5.3	5.6	5.9	6.6	4.8
Black	15.4	15.4	15.0	14.9	13.8	9.9
Hispanic origin (of any race)	24.6	24.0	24.0	23.0	18.2	9.6
White, non-Hispanic	51.4	52.3	52.6	53.7	59.8	74.5
			2050			
White	69.2	70.1	70.4	70.7	71.5	77.5
Asian	6.9	7.1	7.3	7.7	8.9	7.8
Black	15.7	15.7	15.6	15.4	15.0	12.0
Hispanic origin (of any race)	29.6	28.8	28.4	27.5	23.7	17.5
White, non-Hispanic	43.4	44.5	45.0	46.0	49.9	61.3

a) The figures do not sum to 100 because the groups are not mutually exclusive.

Source: US Census Bureau, 2004, "U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin".

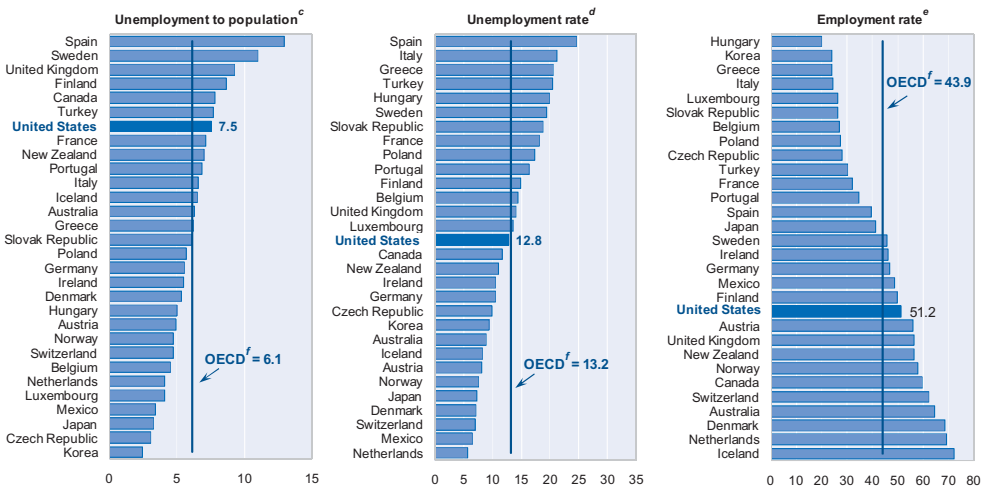
2. Youth labour market outcomes

A. Youth do better on the labour market than their OECD counterparts but have been affected by adverse economic conditions

In 2008, the *youth employment rate* was 51% in the United States, significantly above the OECD average of 44% (Figure 1.2). Its reduction since the peak level of 60% in 2000 (Figure 1.3, Panel A) is likely to be the result of two concomitant events. First, as part of a longer-term phenomenon, youth tend to stay in education longer which, in turn, contributes positively to future human capital. Second, youth have been badly affected by the recent economic downturns and, in some cases, the effects have been long-lasting. Indeed, the recession of the early 2000s had a significant negative impact on the youth employment rate which had not been reversed when the current global economic crisis brought about a further sharp decline.

Figure 1.2. **Youth[a] unemployment and employment indicators, OECD countries, 2008[b]**

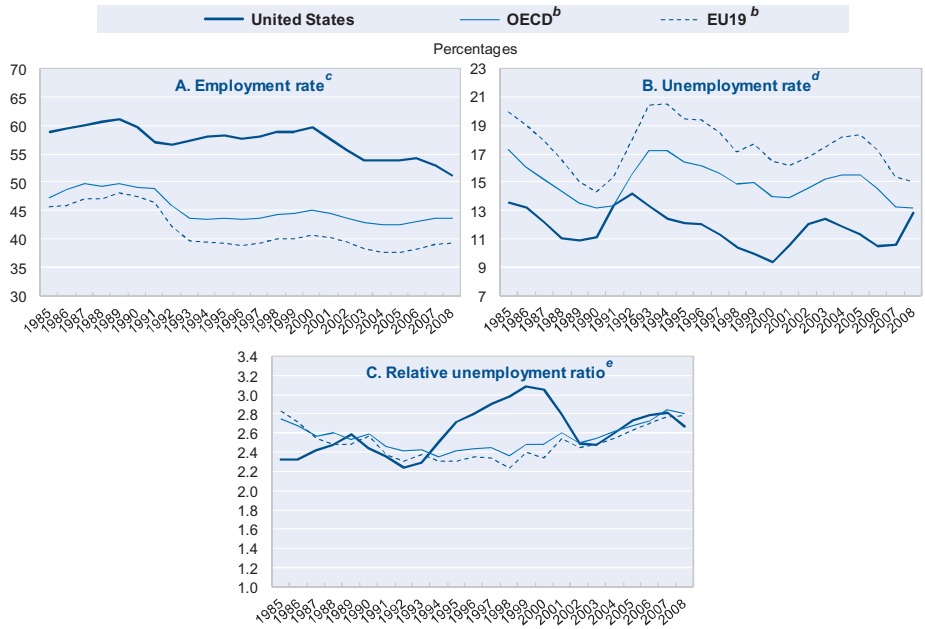
Percentages



a) Youth aged 16-24 for Iceland, Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all other countries.
b) Data for France and Germany are preliminary 2008 estimates based on Eurostat, European Union Labour Force Survey.
c) Unemployed as a percentage of the population in the age group
d) Unemployed as a percentage of the labour force in the age group.
e) Employed as a percentage of the population in the age group.
f) Unweighted average.

Source: National labour force surveys.

Figure 1.3. **Youth[a] unemployment and employment indicators, United States, OECD and Europe, 1984-2008**



a) Youth aged 16-24 for Iceland, Norway (until 2006), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all other countries in the EU-19 and OECD averages.
b) Unweighted averages.
c) Employed as a percentage of the population in the age group.
d) Unemployed as a percentage of the labour force in the age group.
e) Unemployment rate of youth (15/16-24)/unemployment rate of adults (25-54).

Source: National labour force surveys.

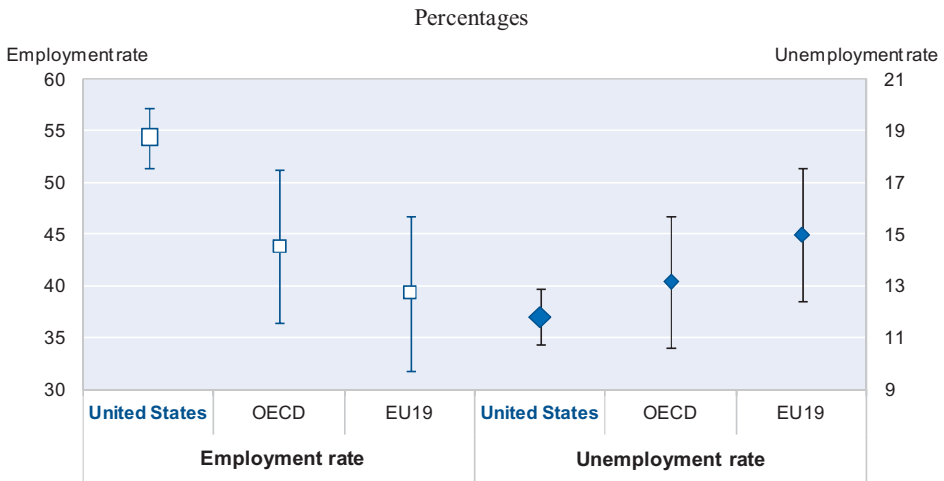
The US *youth unemployment rate* – another indicator of youth labour market performance – rose sharply between 2007 and 2008 to attain the OECD average of 13%. The two rates had not coincided since 1991 and, for much of the following 15 years, the youth unemployment rate in the United States had remained 3 to 5 percentage points below the OECD average (Figure 1.3, Panel B). Indeed, in recent months, the youth unemployment rate in the United States has risen more rapidly than in the OECD on average as a result of the current major economic downturn. This rise has been steeper than during the latest slowdown in the early 2000s, reflecting the depth of the current crisis. In addition, the early 2000s recession had affected youth unemployment rates in the United States more than in Europe and, in 2007, the US youth unemployment rate – at 11% – had not returned to its 2000 level yet. Data for the first three quarters of 2009 suggest a major further deterioration of youth labour market performance in the United States as a

result of the current economic slowdown: in September 2009 the youth unemployment rates had risen to 18%.[1]

The *ratio of youth to prime-age adult unemployment rates* rose considerably after both the early 1990s and early 2000s economic downturns as youth unemployment fell much less rapidly than that of adults to return to its pre-recession level (Figure 1.3, Panel C). The significant rise in the ratio that occurred in the United States relative to the OECD/Europe between 1993 and 2001 is explained by the fact that prime-age adults in the United States recovered from the early 1990s slowdown at a much faster rate than prime-age adults in Europe and in the OECD on average.

Youth unemployment and employment rates in the United States vary significantly by state. However, dispersion across states is smaller than dispersion across countries in Europe and in the OECD (Figure 1.4).

Figure 1.4. **Youth employment and unemployment rates dispersion[a] across countries, United States,[b] OECD and Europe, 2008**



a) Data refer to the unweighted averages of employment and unemployment rates across US states, EU19 countries and OECD countries, and their respective 95% confidence intervals.

b) Data for the United States refer to annual averages of monthly figures.

Source: OECD calculations based on the Current Population Survey, for the United States; and national labour force surveys, for other OECD countries.

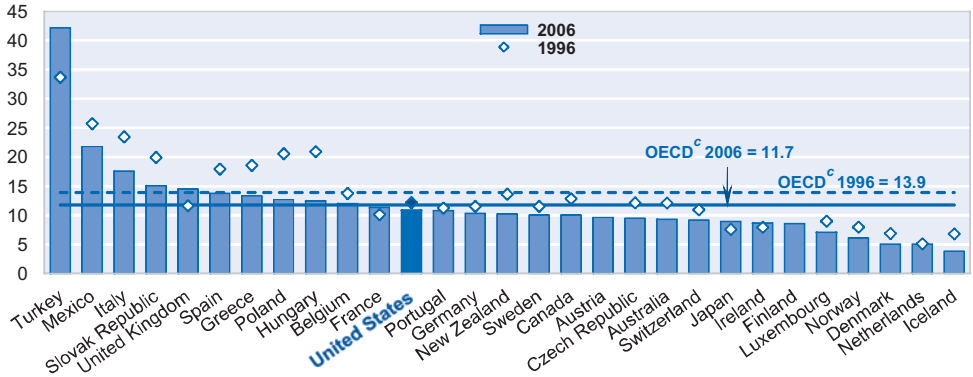
1. A significant rise was also observed in the OECD on average. In the first quarter of 2009 – the latest quarter for which the OECD average is available – the youth unemployment rate in the area had risen to 17%.

B. Just over one in ten young people were neither in employment nor in education or training in 2006

The proportion of young people neither in employment nor in education or training (NEET) provides another key indicator of labour market performance for youth. Indeed, this is a group at high risk of labour market marginalisation and social exclusion. In the United States, in 2006, 11% of 16-24-year olds were NEET, just below the OECD average of 12% in the same year and down slightly from 12% in 1996 (Figure 1.5).

Figure 1.5. **Share of NEET youth,[a] OECD countries, 1996 and 2006[b]**

Percentage of the population in the age group



NEET: Neither in employment nor in education or training.

a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all the other countries.

b) Data refer to 2004 for Mexico instead of 2006; to 1995 for New Zealand instead of 1996; to 1997 for Germany and the Netherlands instead of 1996; to 1998 for Italy instead of 1996; and they refer to 2000 for the United Kingdom instead of 1996. No data are available for Korea.

c) Unweighted average of countries shown.

Source: OECD Education database.

It is normal for youth to experience some NEET spells – particularly unemployment spells between jobs – after leaving education. In addition, not all youth who become NEET are at risk of social exclusion: some choose to take time off, for example to travel; others, notably young women, may withdraw from the labour market temporarily for childbearing and childrearing. However, there is a risk that some youth who become NEET find it difficult to exit this status and remain *trapped* in it. For the United States, two cohorts of the National Longitudinal Survey of Youth (NLSY) can be exploited to explore this issue: the NLSY 1997 cohort including youth who left education in the late 1990s or early 2000s; and the

NLSY 1979 cohort including youth who left education in the 1980s. Youth in the NLSY 1997 cohort who experienced a NEET spell[2] within a year of leaving education[3] spent on average three years in NEET over a five-year observation period, down from 3.4 years for youth in the NLSY 1979 cohort. For many youth, this is not the result of a single long spell of NEET but of several spells of shorter duration: 40% of youth who experience NEET over the first year after finishing education, exit NEET by the following year but become NEET again over the third year. Figure 1.6 compares the United States with several European countries for which data are available and with Australia.[4] It suggests that while the total time spent in NEET in the United States is comparable to several European countries, there is significantly more turnover in NEET in the United States. On the other hand, the United States performance compares unfavourably with Australia, the United Kingdom and Austria according to these indicators.[5]

2. Only spells lasting at least four weeks are counted to identify youth who experience NEET during the year after leaving education.

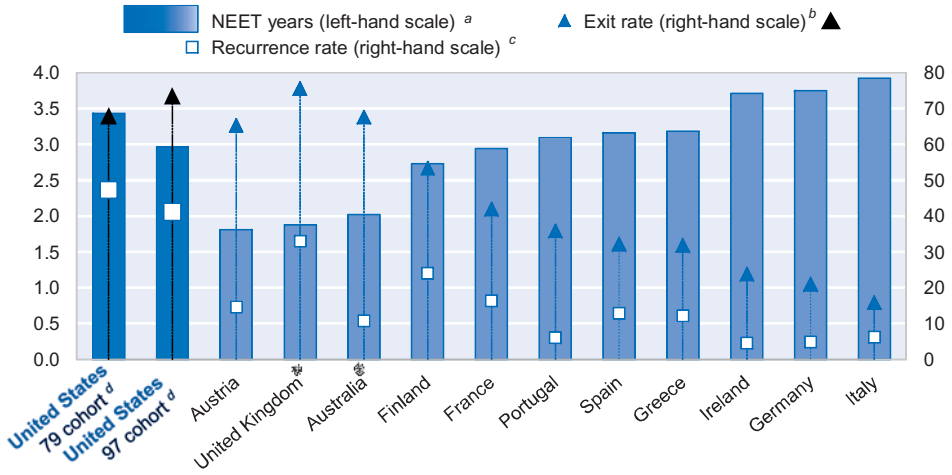
3. For most youth in the NLSY 1997, this NEET spell occurred in 1999 or later (20% in 1999, 29% in 2000 and 42% in 2001). On the other hand, for most youth in the NLSY 1979, the initial NEET spell occurred in 1981 or later (29% in 1981, 39% in 1982 and 21% in 1983). As a result, the NEET analysis derived from the NLSY 1997 applies to the years between 1999 and 2005. Unfortunately, no alternative data source allows a more up-to-date analysis.

4. The comparison has to be made with care because of differences in the data used for the analysis of NEET persistence. For Australia and the United States, Figure 1.6 is based on school-leaver cohorts while for European countries it is based on 15-24-year olds between 1997 and 2001. In addition, for Australia, the United Kingdom and the United States calculations are derived from a calendar detailing activity status during the year while for European countries they are based on yearly activity status. Because short employment spells during the year are not considered, the total time spent in NEET is longer and turnover is smaller using yearly observations. Furthermore, survey methodology differs across countries. In the NLSY and the Longitudinal Survey of Australian Youth, each young person reports his/her own data. On the other hand, the British Household Panel Survey and the European Community Household Panel are household data sets and the individual who reports information about all household members may not be the youth, resulting in the underestimation of employment spells for teenagers. However, Quintini and Martin (2006) derive the same indicators for the United States using yearly information for 15-24-year olds provided in the Panel Survey of Income Dynamics – consistent with the definition used in Figure 1.6 for European countries – and obtain very close estimates to those derived from cohort data.

5. Only the differences with Austria – and to a lesser extent with the United Kingdom – can be attributed to differences in the definition of the indicators. The most

Figure 1.6. **NEET dynamics, selected OECD countries, late 1990s**

Percentage of the population in the indicated cohort who was NEET during the year after leaving education



NEET: Neither in employment nor in education or training.

a) Situation between 1997 and 2001 of *youth aged 15-24* who were NEET in 1997.

b) Share of youth/adults who were NEET in 1997 and exited in 1998.

c) Share of youth/adults who were NEET in 1997, exited in 1998 and experienced a repeated spell of NEET at some point between 1999 and 2001.

d) For the United States and Australia, the indicators refer to the NEET status over a five-year period among youth who experience a NEET spell lasting at least four weeks during the year *after leaving education*. For the United States, the 1979 cohort includes youth who were 14 or 15 in 1979, and the 1997 cohort includes youth who were 14 or 15 in 1997. Youth are included in the sample if they are in education at the first interview – in 1979 and 1997, respectively – and spend at least 52 weeks in school afterwards (to ensure the exclusion of youth who have left education prior to the survey start). Youth are classified as having left education if they spend at least 52 weeks not in education.

e) For the United Kingdom, definitions *a* to *c* but using the period 2001-05.

Source: OECD calculations based on the National Longitudinal Survey of Youth 1979 and 1997 for the United States; the Longitudinal Survey of Australian Youth 1998 for Australia, the British Household Panel Survey, waves from 11 to 15 (2001-05) for the United Kingdom and the European Community Household Panel, waves 4 to 8 (1997-2001) for all other European countries.

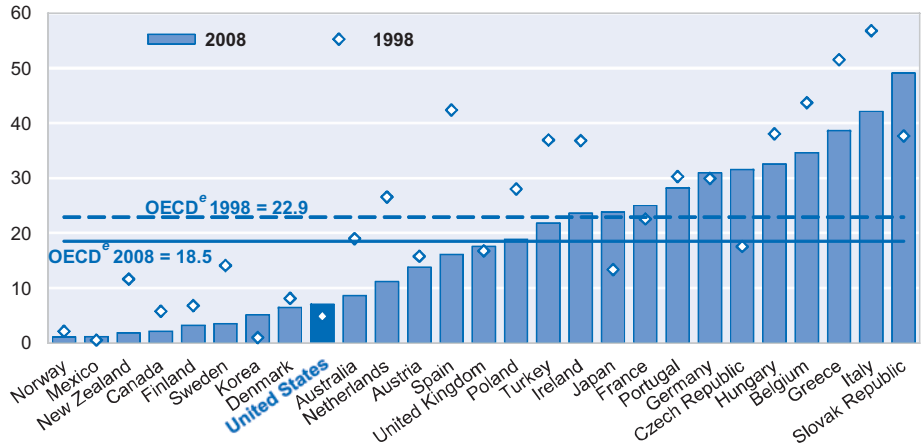
comparable country to the United States in terms of how these statistics are calculated, Australia, does significantly better according to this indicator.

C. *The incidence of long-term unemployment is less than 7%*

In 2008, the incidence of long-term unemployment among youth in the United States was 7.1% *versus* an OECD average of 18.5% (Figure 1.7). This incidence increased over the past decade from 4.9% in 1998 whereas it declined for the OECD average. In particular, the incidence of long-term unemployment rose by 0.6 percentage points between 2007 and 2008 as a result of the ongoing economic crisis.

Figure 1.7. **Incidence of long-term unemployment[a] among youth,[b] OECD countries, 1998[c] and 2008[d]**

Percentage of unemployed youth



a) Twelve months and over.
b) Youth aged 16-24 for Norway (for 1998 only), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all other countries.
c) Data for Ireland refer to 1999.
d) Data for France and Germany are preliminary 2008 estimates based on Eurostat, European Union Labour Force Survey.
e) Data for Iceland and Luxembourg are not statistically reliable; for Switzerland, they are not available. Unweighted average of countries shown.

Source: National labour force surveys.

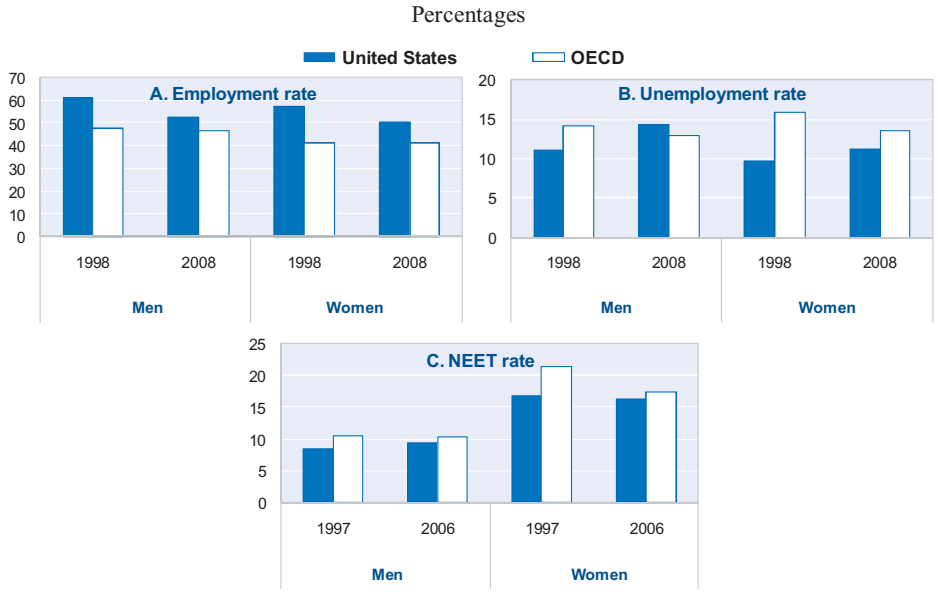
3. Beyond averages: the role of gender, education, ethnicity and age

The youth labour market indicators presented above are likely to hide significant differences by demographic characteristics and/or by skill level. Available data allow disentangling differences by gender, educational qualifications, age and ethnicity.

A. Young women are more likely to be NEET than young men

In 2007, in the OECD area, young women aged 16-24 performed less well than their male counterparts in terms of employment and unemployment rates. This was not the case in the United States where the employment rate of young women was only slightly below that of young men and their unemployment rate was 3 percentage points lower than that of young men (Figure 1.8). On the other hand, young women were more likely to be NEET than their male counterparts. This difference may partly be due to the withdrawal of some young women from the labour market because of family formation. Indeed, in the United States, the group of young women in NEET includes a relatively large share of teenage mothers. In 2006, the 15-19 birth rate in the United States stood at over 4%. In addition, data by ethnicity shows that teenage motherhood is concentrated among Black and Hispanic women.

Figure 1.8. **Youth labour market indicators by gender, United States and OECD,[a] 1998[b] and 2008[b]**



NEET: Neither in employment nor in education or training.

a) Unweighted average of the 30 OECD countries.
b) NEET rates refer to 1997 instead of 1998, and to 2006 instead of 2008.

Source: OECD Labour Force Statistics database and *OECD Education database*.

As far as changes over the past decade are concerned, the labour market indicators presented in Figure 1.8 show similar trends for young men and women.

B. Having no qualifications is a significant disadvantage on the labour market

In the United States, as well as in most OECD countries, major differences in unemployment rates occur across qualification levels. In 2006, out-of-school youth[6] without any qualification in the United States were 6 percentage points more likely to be unemployed than their counterparts with an upper secondary qualification – *i.e.* a high-school diploma or equivalent – and over three times as likely to be unemployed as youth who held a tertiary qualification (Figure 1.9). However, since 1997, the position of out-of-school low-skilled youth has improved slightly while that of their more qualified counterparts has worsened.

In 2006, out-of-school unqualified youth were also less likely to be employed than their more educated counterparts – notably, the employment rate of youth without qualifications was only 56% compared with 87% for youth who had graduated from tertiary education. NEET rates for youth not in school showed a similar pattern to the other indicators. Over 40% of youth who had left education without a qualification were NEET in 2006 compared with just 13% of tertiary graduates.

Compared with youth in the OECD on average, youth in the United States were significantly less likely to be unemployed across all education levels.

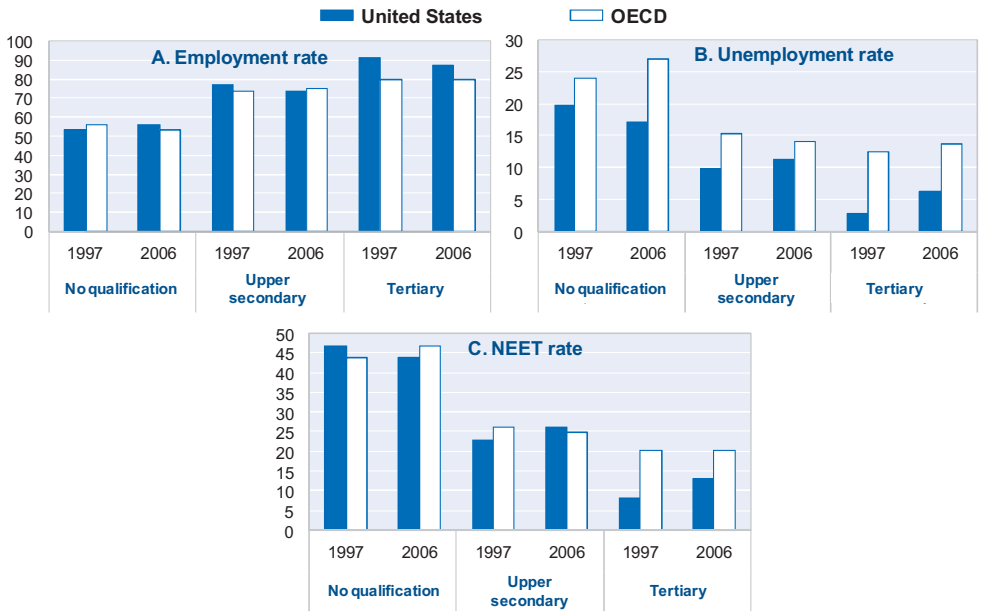
In the United States, not only are youth without qualifications more likely to be NEET than their better educated counterparts but they are also at higher risk of becoming trapped in NEET. Figure 1.10 shows some measures of NEET *persistence* among youth who experience a NEET spell during the year after leaving education for the NLSY 1997 and 1979 cohorts. The measures are presented separately for youth with no qualifications, youth with a high-school diploma and, where possible, youth holding a General Education Development certificate (GED) – a qualification equivalent to a high-school diploma but obtained through testing rather than school attendance. In the 1997 cohort, youth without qualification spent a year

6. The analysis on the labour market status of youth by qualifications is conducted on out-of-school youth. This is to ensure that the reference groups exclude youth who are still in school working towards a higher qualification than the one they hold.

longer in NEET than their counterparts with a high-school diploma. This was the result of lower exit rates from NEET and a higher likelihood of experiencing more than one NEET spell for unqualified youth. The position of both groups improved over time.[7]

Figure 1.9. **Labour market indicators for out-of-school youth[a] by qualification, United States and OECD,[b] 1997 and 2006**

Percentages



NEET: Neither in employment nor in education or training.

a) Youth aged 16-24 for Norway, Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all other countries.

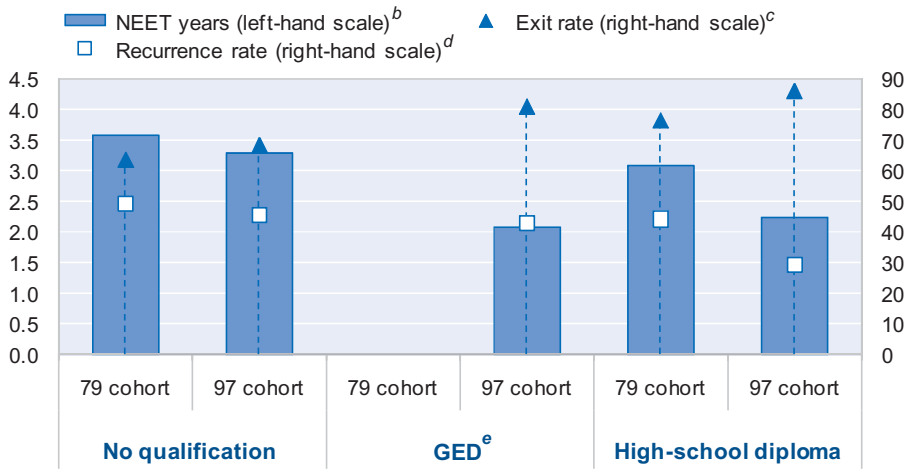
b) Unweighted average. Data for the Czech Republic, Hungary, Korea and the Slovak Republic are not statistically reliable, and are excluded from the average.

Source: October Supplement of the Current Population Survey for the United States; and *OECD Education database* for the remaining OECD countries included in the average.

7. When considering the size of the improvement over time for youth with a high-school diploma, it is noteworthy that in the 1979 cohort the high-school graduate group included youth holding a GED.

Figure 1.10. **NEET dynamics in the United States, 1979 cohort and 1997 cohort**[a]

Percentage of the population in the indicated cohort who was NEET during the year after leaving education



NEET: Neither in employment nor in education or training.

a) The 1979 cohort includes youth who were 14 or 15 in 1979 and the 1997 cohort includes youth who were 14 or 15 in 1997. Youth are included in the sample if they are in education at the first interview – in 1979 and 1997, respectively – and spend at least 52 weeks in school afterwards (to ensure the exclusion of youth who have left education prior to the survey start). Youth are classified as having left education if they spend at least 52 weeks not in education.

b) Number of years spent in NEET over a five-year period by youth who experience a NEET spell lasting at least four weeks during the year after leaving education.

c) Share of youth who experienced a NEET spell lasting at least four weeks in the year after leaving education who were observed in employment for at least four weeks the following year.

d) Share of youth who experienced a NEET spell lasting at least four weeks in the year after leaving education who were observed in employment for at least four weeks the following year and became NEET again for at least four weeks during the third year of follow up.

e) Students holding a GED are those who have passed a General Educational Development test.

Source: OECD calculations based on the National Longitudinal Survey of Youth, 1979 and 1997.

C. Teenagers face worse labour market prospects than young adults

Youth aged 16-24 are also an heterogeneous group as far as age is concerned. A larger share of teenagers – 16-19-year olds – are still enrolled in school, fewer combine work and study and fewer can count on welfare benefits if they become unemployed (Figure 1.11). When employment rates are examined separately for teenagers and young adults, they show that over

the past decade the position of the very young has worsened significantly while that of youth aged 20-24 has remained stable.

The unemployment rates of both age groups rose sharply in the wake of each of the recent economic slowdowns – *i.e.* in the early 1990s, the early 2000s and in 2008. However, teenagers appear to take longer to recover: in 2007, when their position started to deteriorate in the context of the ongoing economic recession, their unemployment rate remained almost three percentage points higher than its level before the early 2000s slowdown. By September 2009, the teenage unemployment rate had reached 26%, 10 percentage points higher than in September 2007. However, this poor labour market performance of teenagers over the past decade has been accompanied by a significant rise in educational enrolment which, over time, will contribute positively to human capital formation (see Box 1.1).

Box 1.1. **Is the collapse of teenage employment likely to affect their long-term labour market prospects?**

Over the past few years, several studies have highlighted the decline in teenage employment rates in the United States. Most underline the fact that teenage employment rates have failed to recover after the early 2000s slowdown. Sum *et al.* (2008) find declines in teenage employment rates to be widespread across age, gender, ethnicity, educational attainment, household income and geographic subgroup. However, teenagers from low-income families who were Black or Hispanic fared the worst in 2007. Youth in the ten largest metropolitan areas in the United States have also been found to face worse labour market prospects than average (Sum *et al.*, 2003).

Several labour market developments have been identified among the likely causes of these worsened outcomes for teenagers. First, teenage employment rates tend to be more sensitive to the business cycle than adults and have been more affected by weak job creation since 2000 relative to the 1990s and the 1980s. Second, teenagers have been facing more severe competition from other labour force groups in recent years, including older workers (aged 55 and older) who have increased their attachment to the labour market, single mothers with limited schooling who now face time limits on welfare receipt, young adults including college graduates who cannot find employment in their chosen field of study, and low-skilled new immigrants, particularly young males (Sum *et al.*, 2008). Teenagers have also faced growing problems in finding summer employment and this has been linked to the end of the Summer Jobs Programme in 1998. This federally-funded programme had been established following the civil unrest of the 1960s to keep young people off the streets but had evolved into a well-established infrastructure helping youth with limited access to the labour market find jobs in their community (see Sum *et al.*, 2007a; and Harris, 2007).

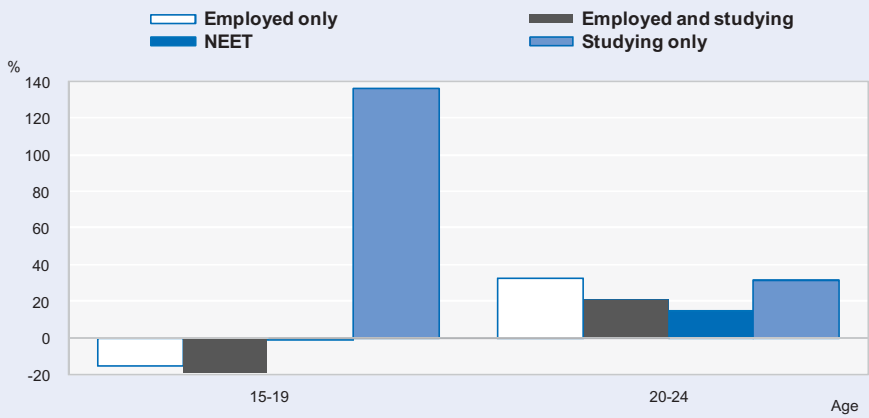
The decline in the youth employment rate – particularly among teenagers – cannot be used alone as an indicator of poor labour market prospects and needs to be assessed in conjunction with education enrolment rates. The figure below shows that the decline in

employment opportunities between 1997 and 2007 affected teenagers already out of the education system as well as those combining work and study. Among the latter, further analysis of Current Population Survey data suggests that the fall was largely concentrated on work opportunities during the summer months. The figure also shows that this fall in the number of working teenagers translated into a rising number of full-time students rather than in more youth neither in employment nor in education.

More time spent in education without working has the potential to help youth focus on their studies and graduate. High-school graduation rates are not available for the 1997-2007 time period but NCES (2007) suggests that they have increased since the early 2000s – they stood at 72.6% for the class of 2001-02 and rose to 75% for the class of 2003-04, although other factors may be at play. On the other hand, high-school employment has been shown to have positive effects on future employment prospects (Sum *et al.,* 2007b) and little or no negative effects on education outcomes (Rothstein, 2007; Turner, 1994; Tyler, 2003; and Eckstein and Wolpin, 1999). As a result, further research is needed to establish what effect the fall in employment rates among teenagers, particularly those in school, is likely to have on their education and labour market outcomes.

Changes in enrolment and labour market status by age group,[a] 1997-2007

Percentage of the change in population in each age group



NEET: Neither in employment, nor in education or training.

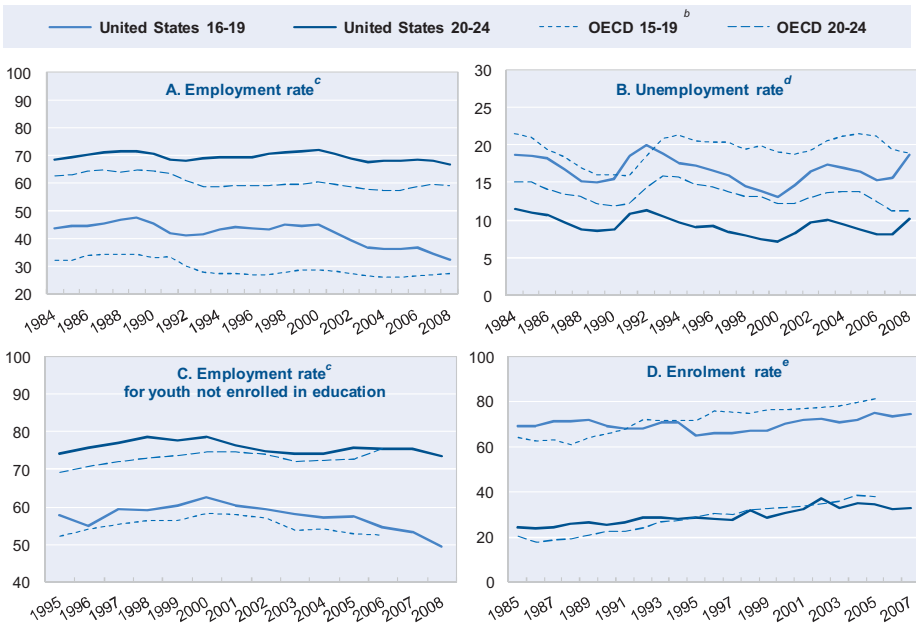
a) The changes in the number of youth in each labour market and education status between 2007 and 1997 are normalised by the change in the population over the same period. Estimations are based on October-June monthly data as student status tends to be badly reported over the summer months.

Source: OECD calculations based on the Current Population Survey.

Figure 1.11 also shows that the difference in employment rates between the United States and the OECD average is much smaller for 16-19-year olds not enrolled in education. This suggests that teenagers in the United States more often combine school and work than in the OECD on average.

Figure 1.11. **Youth[a] labour market and education indicators for teenagers and young adults, United States and OECD, 1984-2008**

Percentages



a) Youth aged 16-19 for Iceland, Norway (until 2006), Spain, Sweden, the United Kingdom and the United States; youth aged 15-19 for all other countries in the 15-19 OECD average.
b) Unweighted averages.
c) Employed as a percentage of the population in the age group.
d) Unemployed as a percentage of the labour force in the age group.
e) Youth enrolled in education as a percentage of the population in the age group.

Source: National labour force surveys; *OECD Education database*; and October Supplement of the Current Population Survey for enrolment rates in the United States.

D. Youth with an ethnic background fare less well in the labour market than white youth

Youth employment rates vary significantly by ethnicity, particularly among teenagers. Just over 20% of Black and Asian teenagers worked in 2008 compared with 38% of White non-Hispanic teenagers (Table 1.2). Black teenagers were also almost twice as likely to be unemployed as their White counterparts in 2008, while the relatively low unemployment rate for Asian teenagers suggests that they may spend more time in education.

Table 1.2. **Youth labour market indicators by age and ethnicity, United States, 1989, 1997, 2007 and 2008**[a]

Percentages

	1989		1997		2007		2008	
	ER	UR	ER	UR	ER	UR	ER	UR
16-19								
White	51.5	12.7	47.7	13.6	38.3	13.9	35.9	16.8
Asian			30.7	14.2	21.4	12.7	21.3	14.6
Black	28.7	32.5	26.1	32.4	21.4	29.4	20.2	31.2
Hispanic origin (of all races)	39.2	19.4	33.7	21.6	30.4	18.1	28.6	22.4
White, non-Hispanic	53.2	12.2	50.7	12.5	40.9	13.2	37.9	15.6
20-24								
White	74.5	7.2	74.1	6.9	71.0	7.0	69.5	9.0
Asian			58.7	7.0	56.3	5.6	56.5	6.3
Black	59.2	18.0	57.9	18.3	57.9	15.2	55.8	17.9
Hispanic origin (of all races)	67.9	10.7	68.5	10.3	69.0	7.8	65.2	11.5
White, non-Hispanic	75.6	6.7	75.4	6.3	71.6	6.9	70.5	8.5

ER: Employment rate; UR: Unemployment rate.

a) Data for youth of Asian origin refer to 2000 instead of 1997.

Source: OECD calculations based on the Current Population Survey.

Teenagers of Hispanic origin were also less likely to be employed and more likely to be unemployed than White non-Hispanic teenagers, but the gap was smaller than for Black and Asian youth of the same age. Also, the comparison of 2008 and 2007 figures suggests that Hispanic teenagers and young adults were the worst affected by the current downturn. It is noteworthy that the differences in employment and unemployment rates across ethnicity have fallen over the past two decades.[8]

4. Key steps in school-to-work transitions: leaving education and finding the first job

A. By age 20 half of youth have left education in the United States

Figure 1.12 shows the activity status of youth by single year of age in 2006 for the United States and in the most recent year available for other selected OECD countries. In 2006, the *median* age of leaving education –

8. Although NEET rates are not available by ethnicity, some evidence can be drawn from the study conducted by Sum *et al.* (2003) on out-of-work and out-of-school youth – *i.e.* NEET youth – in the 50 largest metropolitan areas across the United States in 2001. In that year, 40% of NEET youth resided in the 50 largest metropolitan areas. The authors found that youth of Black and Hispanic origin aged 16-24 were over-represented in the NEET population.

i.e. the age at which 50% of youth have left the education system – in the United States was 20. This is two years older than in New Zealand and the United Kingdom but two years younger than in the Netherlands. Of the 50% of 20-year olds who had left education in 2006 in the United States, 35% were employed, 5% were unemployed and 10% were inactive. The share of NEET at the 50% threshold (15%) was comparable to that in Spain (16%) and the United Kingdom (17%), but was twice as large as in the Netherlands (7%) and higher than in Canada and New Zealand (11%).

These statistics vary considerably by ethnicity and gender. By the age of 18½, half of youth of Hispanic origin had left education in 2006, the youngest age across ethnic groups. It took another four years – up to age 22½ – before half of Asian youth had left education. Table 1.3 also suggests that Black youth find it harder than White, non-Hispanic youth to enter employment after leaving education while youth of Hispanic origin more often withdraw from the labour market than their White, non-Hispanic counterparts.[9]

Women stay longer in education than men. In 2006, the median age of leaving education for young women – as measured in Figure 1.12 – was one year above that of young men (Table 1.3). However, despite studying longer than men, young women were less likely to be employed at the median age of leaving education than young men and were almost twice as likely to be NEET (13.4%) as young men (6.8%).

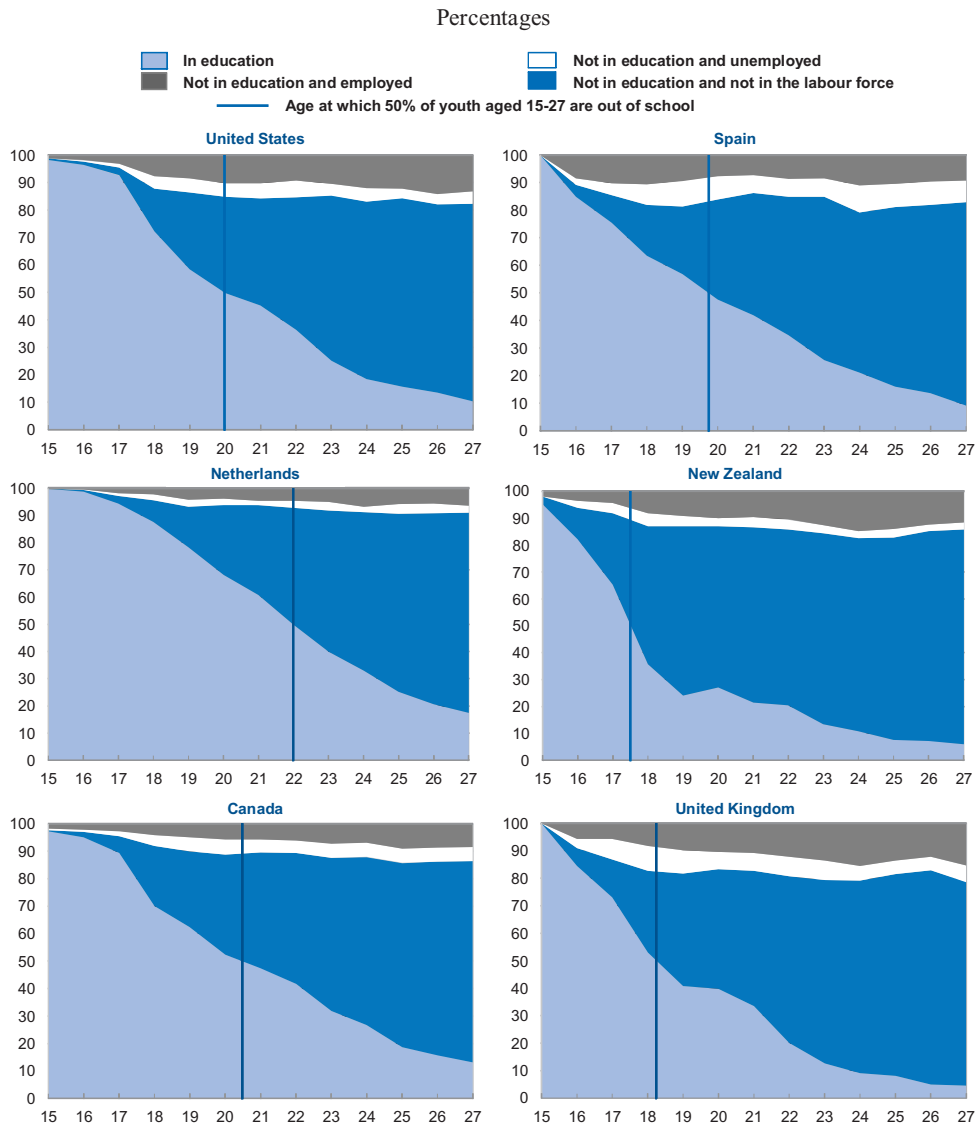
Table 1.3. **Summary indicators of youth activity status (15-27), by gender and ethnicity, United States, 2006**

	Age at which 50% of youth have left education	Labour market indicators of youth not in school at the median age of leaving education		
		Employment rate %	Unemployment to population ratio	Inactivity rate %
White	20.1	36.1	3.7	10.2
Asian	22.5	38.1	2.4	9.5
Black	19.5	29.7	9.9	10.3
Hispanic origin (of all races)	18.6	33.8	3.9	12.3
White, non-Hispanic	21.0	38.0	3.7	8.3
Men	19.4	37.5	5.7	6.8
Women	20.6	31.8	4.8	13.4
All	**20.0**	**34.9**	**4.9**	**10.2**

Source: October Supplement of the Current Population Survey.

9. Cross tabulations suggest that the high incidence of inactivity after leaving education among Hispanic youth is largely explained by young Hispanic women withdrawing from the labour market – possibly for childbearing.

Figure 1.12. **Activity status of youth aged 15-27, United States and selected OECD countries, 2006**[a]

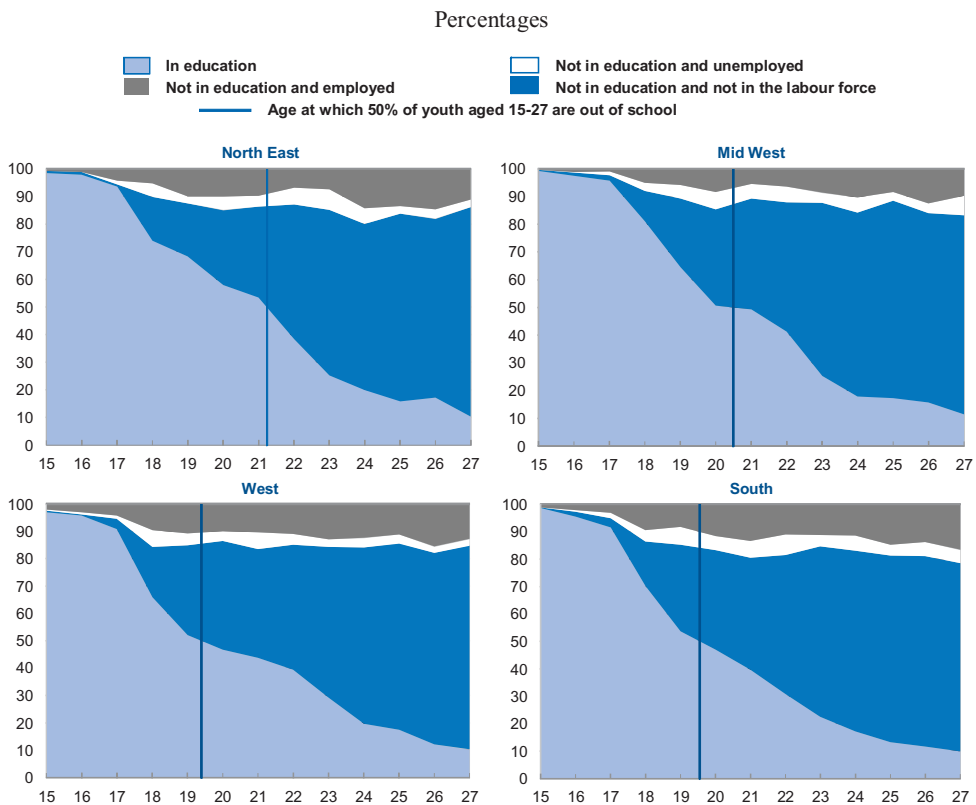


a) Data for New Zealand and the United Kingdom refer to 2005.

Source: October Supplement of the Current Population Survey for the United States; European Union Labour Force Survey for the Netherlands and Spain; and national labour force surveys for Canada, New Zealand and the United Kingdom.

Differences in the median age of leaving education across the four main US regions are also marked. In 2006, young people in the North East spent as much as two years longer in school as youth in the West, according to the measure of median age of leaving education used above. Figure 1.13 also suggests that in 2006 fewer youth stayed on in education beyond the first two years of college in the South than in the other three regions. At age 22 – when many youth would be studying towards a four-year university degree – only 31% of youth were enrolled in education in the South *versus* about 40% in the other three regions.

Figure 1.13. **Activity status of youth aged 15-27 by region, United States, 2006**



Source: October Supplement of the Current Population Survey.

B. After leaving education, finding a first job takes on average six months

On average, in the United States, youth in the NLSY 1997 cohort took just over six months to find their first job (Table 1.4). Young women took a little less time than young men to find their first job but the difference was only about two weeks. This compares well with the other OECD countries for which similar estimates are available. Only in New Zealand (3-5 months on average) and Australia and Canada (four months) do youth take less time to find their first job after leaving education (OECD, 2008a, 2008b and 2009). European youth, on the other hand, take considerably longer – 1½ years on average – to get a first foothold on the labour market (OECD, 2008c) although significant differences across countries exist.[10]

Table 1.4. **Length of school-to-work transitions by gender, ethnicity and qualification, United States, 1997 *versus* 1979 cohort**[a]

Months needed to find first job after leaving education

	1997 cohort			1979 cohort		
	Mean	Median	Share of imputed values[b]	Mean	Median	Share of imputed values[b]
Total	**6.3**	**0.0**	**3.9**	**8.3**	**0.2**	**4.6**
Men	6.6	0.0	4.0	6.8	0.9	3.2
Women	6.0	0.0	3.7	9.7	0.5	5.9
None	10.9	2.0	5.5	13.0	3.5	5.5
GED	6.8	1.0	4.8	–	–	–
High-school diploma	4.3	0.0	3.3	7.0	0.0	4.2
Higher education	1.4	0.0	1.1	2.6	0.0	3.8
Black	9.8	0.8	7.0	12.9	3.2	8.5
Hispanic	6.7	0.0	3.3	8.8	0.5	4.0
Non-Black, non-Hispanic	4.1	0.0	2.3	5.8	0.0	2.8

– Not applicable.

a) The 1979 cohort includes youth who were 14 or 15 in 1979 and the 1997 cohort includes youth who were 14 or 15 in 1997. For the purpose of this table, the 1979 cohort is followed until 1987 to ensure that the two cohorts are right-censored at the same follow-up duration – follow up for the 1997 cohort is available up to 2005. Youth are included in the sample if they are in education at the first interview – in 1979 and 1997, respectively – and spend at least 52 weeks in school afterwards (to ensure the exclusion of youth who have left education prior to the survey start). Youth are classified as having left education if they spend at least 52 weeks not in education.

b) Share of youth who left school between 1979 and 1987 (1997 and 2005) and had not found a job yet when the observation period was over. For these youth, the length of school-to-work transitions is set at the number of months between leaving education and the end of the observation period.

Source: OECD calculations based on the National Longitudinal Survey of Youth, 1979 and 1997.

10. These comparisons have to be taken with care. Survey methodologies differ across the countries mentioned, affecting the extent of rounding and recall error.

The time needed to find a first job after leaving education has fallen over time in the United States. Young people in the NLSY 1979 cohort took two months longer on average than youth in the NLSY 1997 cohort. The difference between the two cohorts is entirely accounted for by young women in the 1979 cohort taking almost four months longer to find their first job than in the 1997 cohort, while for young men the difference between the two cohorts is less than one week. This is not surprising as women in the later cohort are better educated – the median age at which young women in the 1997 cohort left school was 20½, up from just 18½ for women in the 1979 cohort.

Differences across ethnicity and qualifications are significant in both cohorts although they have narrowed over time. Black youth in the 1997 cohort took more than twice as long as their non-Black, non-Hispanic counterparts to find their first job. In the same cohort, youth without qualifications took the longest – 10½ months – to find employment after leaving education. Holding a GED certificate reduced the time needed to find work but less so than having a high-school diploma. It is noteworthy that youth with a tertiary qualification found a job in just over a month after completing their degree.

The median duration of the school-to-work transition reveals that at least 50% of youth already had a job when leaving education.[11] This was the case for almost every socio-economic group in the 1997 cohort, with the exception of youth with no qualifications and Black youth.

C. Youth do not leave education permanently

For many youth, the decision to leave education and enter the labour market is not a definitive one. Some school-leavers return to education after a spell of work, unemployment or inactivity.

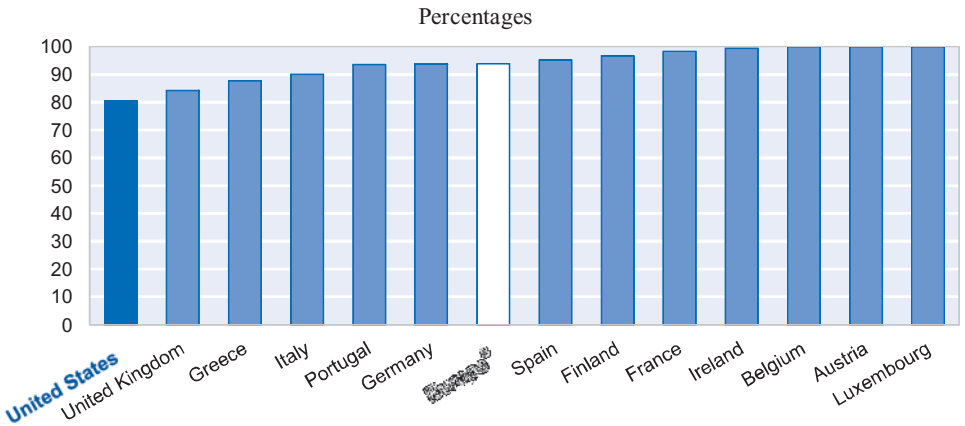
To gauge the extent of this flexibility in the United States compared with other OECD countries, Figure 1.14 shows the share of tertiary education graduates in the early 2000s who had never taken a break from education since the end of compulsory schooling. In the United States, one in five tertiary graduates had interrupted their studies at some point compared with only one in twenty on average in European countries for which this statistic can be calculated.[12] In some European countries –

11. Entry jobs that started before/upon finishing education are not necessarily of short duration. Among youth in the 1997 cohort, one in five left school holding a job that would last at least another 12 months since school-leaving.

12. These comparisons have to be taken with care as survey methodologies differ across the countries mentioned. For instance, the NLSY respondent is the youth

Austria, Belgium, France, Ireland and Luxembourg – hardly anybody who obtained a tertiary education qualification had ever broken away from schooling. Besides, European countries where breaks are observed include those where military service was still compulsory at the time of the analysis – notably Greece, Italy, Portugal and Spain.

Figure 1.14. **Share of tertiary graduates who complete without breaks,[a] early 2000s**



a) Share of youth with a tertiary education qualification who were observed in education every month since the end of compulsory schooling. Only youth for whom a complete monthly calendar history was available were included.

b) Unweighted average of European countries shown.

Source: OECD calculations based on the National Longitudinal Survey of Youth 1997 for the United States; and the European Community Household Panel survey, waves 1 to 8 (1994 to 2001) for European countries.

In the United States, most breaks happened between upper secondary and tertiary education – the median and mean ages at the break coincide at 18 years of age. In Europe, breaks are taken slightly later – at 20 – which could be due to military service rules[13] or to interruptions of tertiary education.

himself in contrast with the European Community Household Panel where proxy respondents are common.

13. Some countries allowed school-leavers of military-service age to start university but required progress in their studies, lacking which they were recalled to fulfil their military duties.

5. School-to-work transition pathways

A. Multiple pathways between school and work can be identified in the United States and Europe

The indicators presented above are useful to identify the key milestones of transition. However, only a small fraction of youth settles into career employment or persistent inactivity shortly after leaving education. Many youth move between different states, often in-and-out of the labour market, before finding a job that offers career prospects and some stability or withdrawing from the labour market for a prolonged period of time or returning to education.

The dynamic nature of youth labour market participation was first explored in the early 1980s by Freeman and Wise (1982) and OECD (1984). Both studies highlighted the blurred distinction between unemployment and labour force withdrawal for youth and concluded that changes in labour force status between employment, unemployment and not-in-the-labour force were more frequent among youth than adults. Because of these dynamics, indicators such as the time needed to find a first job, while informative, represent an over-simplification of the several pathways between school and work.

To account for the dynamic nature of youth unemployment and identify the different pathways that youth can take after leaving secondary education, Quintini and Manfredi (2009) exploit monthly observations in the NLSY 1979 and 1997 cohorts and the European Community Household Panel survey.[14] The EU countries included in the analysis are the following: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Spain, Portugal and the United Kingdom.[15]

14. Youth are coded as having left education when they are observed in employment, inactivity or unemployment for the first time. Youth who work during the school year or during school holidays are coded as being in education. Youth leaving tertiary education are not included because of comparability problems between the United States and European data. In the United States, data are based on a cohort of youth aged 14 or 15 in 1997 and observed until 2005. As a result, hardly any follow-up data are available for youth leaving tertiary education. In Europe, survey data would allow their inclusion but this would bias comparisons with the United States.

15. The analysis that allows identifying pathways for European countries is carried out on the whole European sample as no country had enough observations to be analysed separately. Not all pathways may be present in all countries included in the sample.

Table 1.5 provides descriptive statistics for the key transition pathways. Overall, pathways in the United States are characterised by significantly less time spent in unemployment than in European countries. Besides, both negative pathways – dominated by unemployment and inactivity spells – and positive pathways – dominated by employment and education spells – are characterised by more dynamism in the United States than in European countries.

Table 1.5. **Characteristics of transition pathways, United States (1997-2004) and Europe (1994-2001)**[a]

Proportion of time spent in each activity status

	Enrolled		Employed		Unemployed		Inactive not in education		Total spells	Time to first job (months)[b]
	Time share	Spells	Time share	Spells	Time share	Spells	Time share	Spells		
Express										
US 97	3.9	0.3	91.0	2.2	2.2	0.7	2.9	0.8	4.0	2.7
Europe	0.6	0.1	93.3	1.6	3.5	0.6	2.6	0.3	2.6	0.5
In-and-Out										
US 97	1.4	0.2	71.6	3.4	10.6	2.1	16.4	2.6	8.3	3.6
Europe	5.2	0.3	64.2	2.4	11.3	1.4	19.3	1.1	5.2	5.8
Gap-Year										
US 97	82.0	1.3	11.1	1.5	1.2	0.3	5.7	0.9	3.9	3.3
Europe	89.6	1.5	5.2	1.0	2.6	0.3	2.5	0.5	3.3	10.3
Disconnected										
US 97	2.8	0.3	13.7	1.9	7.0	1.5	76.5	3.5	7.2	29.0
Europe	3.3	0.2	6.8	0.6	16.3	0.9	73.6	1.3	3.0	62.7
Failure										
Europe	3.4	0.2	10.6	1.0	81.2	2.0	4.8	0.3	3.5	53.8

a) The European countries included are the following countries Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Spain, Portugal and the United Kingdom; US 97 refers to the 1997 cohort in the United States.

b) The time needed to find the first job is calculated using data beyond the 60 months of observations used to define the pathways. This explains why the table shows that it takes 63 months on average for European youth in the *Disconnected* pathway to find a job.

Source: OECD calculations based on the National Longitudinal Surveys of Youth 1997 for the United States; and the European Community Household Panel survey, waves 1 to 8 (1994 to 2001) for Europe.

In the *Express* pathway – which includes youth who move to stable employment shortly after leaving education (Box 1.2) – this translates in more employment spells of shorter duration than in Europe. On the other hand, in the *Disconnected* pathway – which includes youth who spend most of the five years in inactivity – youth in the United States go through more and significantly shorter spells of inactivity separated by short employment spells, while European youth spend more than half of the time in a single inactivity spell on average. Overall, spells of inactivity and unemployment

are, across all pathways, significantly longer in Europe than in the United States. Finally, no *Failure* pathway – where unemployment prevails over the five years – emerges for the United States.[16]

Box 1.2. **Key school-to-work transition pathways in the United States and Europe**

Quintini and Manfredi (2009) compare school-to-work transitions in the United States and Europe based on pathways taken by youth over the five years after leaving education. To isolate the pathways, the following steps were taken: *i)* sequences of monthly activity statuses[a] over a period of five years are obtained for youth leaving education upon completion of upper secondary school or earlier; *ii)* the distance between each pairwise combination of sequences is calculated using Optimal Matching;[b] and *iii)* cluster analysis is conducted to group similar sequences into one of several pathways.

Pathways identified using Optimal Matching incorporate significantly more information than traditional measures of transitions. Rather than focusing on a specific point in time or a single activity such as employment, inactivity or unemployment, pathways convey information on all activities undertaken by youth over the transition period, their sequenceand their persistence. As a result, in addition to showing how easily youth find their first job, they provide information on how stable their employment history is thereafter. Similarly, pathways allow judging the extent to which non-employment (unemployment and inactivity) is a temporary state or may constitute a trap.

Quintini and Manfredi (2009) identify several "typical" school-to-work pathways in the United States and Europe, including the five discussed in this report:

- The ***Express*** pathway includes youth who spend over 90% of the five years of observation in employment;
- The ***In-and-Out*** pathway includes youth who spend a significant amount of time in employment over the five years (65-70%) but experience multiple spells of unemployment (10% of the time altogether) or inactivity (15-20% of the time) – *i.e.* youth in this group experience more job instability than youth in the *Express* pathway;

16. Although for the United States the analysis does not identify a group of youth who spend most of the five years in unemployment, this does not exclude the existence of a group of youth who experience unemployment at length over the observation period. Quintini and Manfredi (2009) identify other pathways involving a period of protracted unemployment that are identified both in Europe and in the United States (Box 1.2). In addition, across European countries, *Failure* pathways are not uniformly distributed but concentrated in Italy and Spain. Thus there are some European countries where *Failure* pathways would not be identified if the analysis was conducted separately.

- The ***Gap-Year*** pathway includes youth who spend a short period of time – six months to a year – either on the labour market or in inactivity, then decide to return to education and stay in education thereafter, presumably completing tertiary education. Youth in this group spend between 80% and 90% of the 60 monthly observations in education;
- The ***Disconnected*** pathway includes youth who spend about 75% of the 60-month observation period in inactivity. The remaining time is divided between short spells of employment and unemployment, with employment being more frequent in the United States and unemployment in Europe; and
- The ***Failure*** pathway includes youth who spend over 80% of the 60-month observation period in unemployment. This pathway can only be identified in Europe.

The other pathways identified by the authors but not discussed in this report include: three pathways involving youth returning to education at different points in time, following different experiences on the labour market and for different lengths of time; a fourth pathway including youth who start off in inactivity or unemployment but ultimately enter employment; and a fifth one including youth who experience multiple spells of unemployment before withdrawing from the labour market.

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a) Four statuses are identified: employment (independently on the number of hours worked), unemployment, in education and inactive not in education. Apprentices are counted as employed.

b) Optimal Matching is an explorative method of sequence analysis developed by molecular biologists in order to find similar patterns within DNA. The Optimal Matching procedure consists in calculating the distance between each pairwise combination of monthly activity sequences. The distance between two sequences is, roughly speaking, the number of steps one must perform in order to make both sequences equal. Thus, the distance between two sequences such as "unemployment, inactivity, education" and "unemployment, employment, unemployment" consists in the following four steps: deleting inactivity in the first sequence and inserting employment in its place and deleting education and inserting unemployment in its place. If each step is attributed a value of 1, the distance between these two sequences will be 4. Because there is more than one solution for the alignment of two sequences, the Optimal Matching algorithm always calculates the minimum distance between two sequences.

Table 1.5 also shows that the time needed to find work in each of the pathways for the United States and Europe. Youth in the *Express* pathway in the United States take two months longer to find work than youth in the same pathway in Europe. However, European youth in the *Disconnected* or *Failure* pathways experience a non-employment spell after leaving education that is twice as long as their counterparts in the United States.

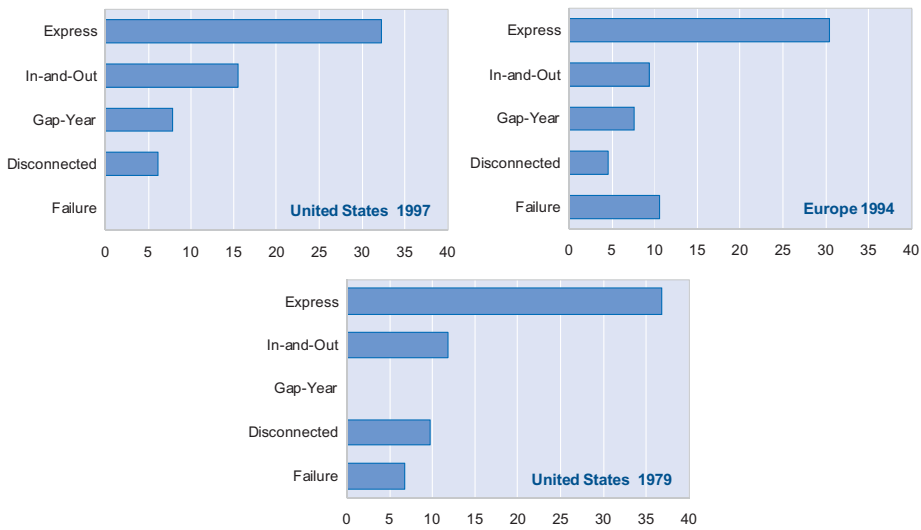
B. In the United States, a third of school-leavers immediately enter stable employment but 6% remain trapped in inactivity

Figure 1.15 shows the share of youth in the pathways described above for the United States and Europe. The *Express* pathway includes approximately a third of school-leavers in both the United States and Europe. If the share of *In-and-Out* youth – where employment prevails although in a less stable manner than in the *Express* pathway – is added, about 48% of school-leavers are mostly employed in their first five years on the labour market compared with 40% in Europe.

The *Gap-Year* pathway – which includes youth taking a short break before enrolling in tertiary education – involved 8% of youth in both the United States and Europe. However, Quintini and Manfredi (2009) find that, when all the pathways that involve returning to education after a labour market spell are accounted for they include 25% of youth in the United States compared with just 15% in Europe.

Figure 1.15. **Distribution of youth across transition pathways, United States and Europe**

Percentage of school-leavers in each pathway



Source: OECD calculations based on the National Longitudinal Surveys of Youth 1997 and 1979 for the United States; and the European Community Household Panel survey, waves 1 to 8 (1994 to 2001) for Europe.

Europe has a larger share of youth failing to recover after a difficult start – *via* the *Failure* or *Disconnected* pathways – than the United States. Youth who are trapped in inactivity for the five years after leaving school are 5% in Europe and 6% in the United States. However, adding youth who fail to exit unemployment permanently over the five-year period brings the European total to 15%.[17]

For the United States, data from the NLSY 1979 cohort can be exploited to compare school-to-work pathways over time. This earlier cohort was characterised by more inactivity and more unemployment than the 1997 cohort.[18] The *Gap-Year* pathway could not be identified in 1979 reflecting the fact that youth in this cohort spent on average less time in education than their counterparts in the 1997 cohort and were less likely to return to education after a spell on the labour market.

Figure 1.16 presents the same transition pathways as Figure 1.15 for a number of European countries.[19] Close to 80% of school-leavers in Germany belong to the *Express* pathway[20] while only just over 5% take the *Failure* or *Disconnected* pathways. At the other hand of the spectrum, in Italy and Spain, very few youth move straight to stable employment and many – 34% in Italy and 23% in Spain – are trapped either in unemployment or inactivity. The United Kingdom is unusual in that over 55% of school-leavers face little problems on the labour market but a relatively large share – 10% – follows the negative pathways.

17. Because the line between unemployment and inactivity is blurred when youth are concerned, the *Failure* and *Disconnected* pathways could be treated similarly. A third pathway identified by Quintini and Manfredi (2009) whereby school-leavers enter protracted unemployment and then withdraw from the labour force without returning to education – the *Discouraged* pathway – could also be added when evaluating the share of youth who find it difficult to enter and progress in the labour market. These three pathways account for 23% of youth in Europe and 14% in the United States.

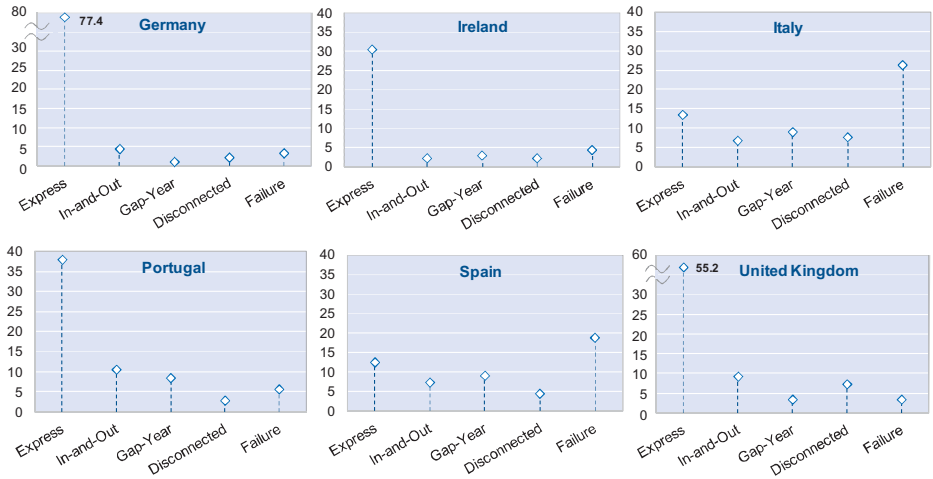
18. Although a pathway dominated by unemployment – *i.e.* a *Failure* pathway – is identified in the NLSY 1979, youth in this pathway spend 42% of their time in unemployment compared with over 81% for European youth in the same *Failure* pathway. Thus, it could be argued that, even in the late 1970s, there was no pathway in the United States directly comparable to the European *Failure* pathway.

19. The choice of countries is dictated by sample size.

20. Quintini and Manfredi (2009) find that this is due to the widespread use of apprenticeship training in Germany.

Figure 1.16. **Distribution of youth across key transition pathways, selected European countries, 1994-2001**

Percentage of school-leavers in each selected pathway



Source: OECD calculations based on the European Community Household Panel survey, waves 1 to 8 (1994 to 2001).

C. Ethnicity, qualification and family status affect the odds of disconnecting from the labour market

Table 1.6 shows the likelihood that a young person with given individual characteristics takes pathway *x – i.e. In-and-Out*, *Gap-Year* or *Disconnected* – rather than *Express*. The results are presented as relative risk ratios for each explanatory variable and alternative. A relative risk ratio greater than 1 indicates that the particular characteristic increases the probability that the young person is in the pathway rather than in the *Express* pathway which is set as baseline. A relative risk ratio smaller than 1 indicates that the particular characteristic reduces the probability that a young person is in the pathway rather than in the *Express* pathway. For example, a relative risk ratio of 0.18 for the variable *high-school graduate at entry* for the *Disconnected* pathway outcome indicates that, compared with a young person without a qualification, one with a high-school qualification has a smaller probability of belonging to the *Disconnected* pathway rather than the *Express* one.

Youth without qualifications, young men, young women with children and Black youth are more likely to take the *Disconnected* pathway than their more educated, single and White counterparts. Young men, married youth, youth with a low-qualified mother and youth from a low-income household

are less likely to attend post-secondary education (*Gap-Year*). Youth who have combined work and study are less likely to be in the *In-and-Out* or *Disconnected* pathways than their counterparts who have not. Overall, Table 1.6 also suggests that family responsibilities increase the likelihood of belonging to the *Express* pathway for young men, while the reverse, not surprisingly, is true for young women. It is noteworthy that the regional unemployment rate – either in the year of school leaving or on average over the five years – is found to have no explanatory power in determining which pathway a young person takes.[21]

Table 1.6. **Determinants of transition pathways, United States, 1997-2004**[a]

Relative risk ratios

	Baseline: **Express**		
	In-and-Out	Gap-Year	Disconnected
High school graduate at entry	0.43***		0.18***
Black	1.65**		2.61***
Man		0.13***	3.28**
Youth's mother ISCED<3		0.40***	
Youth's mother ISCED=3		0.55*	
Married man by year 2	0.52**	0.40**	0.10***
Married woman by year 2		0.19***	
Father by year 2	0.49**		0.40**
Mother by year 2	2.44***		7.29***
Worked and studied	0.64***		0.38***
Household income at entry		1.72***	

***, **, *: Statistically significant at 1%, 5% and 10% level, respectively.

a) The relative risk ratios are derived from the significant coefficients of a multinomial logit regression of the probability of taking one of nine pathways identified in Quintini and Manfredi (2009).

Source: OECD calculations based on the National Longitudinal Surveys of Youth 1997.

6. Key points

In 2008 and early 2009, the labour market performance of youth worsened significantly in the wake of the current economic recession. In September 2009, the youth unemployment rate was 18% while it stood at just 11% two years earlier. This came at a time when youth unemployment and

21. While demand conditions are most likely to be important determinants of whether youth withdraw from the labour market or spend long periods in unemployment rather than work, variation across time and regions is too limited for this effect to be captured by the data at hand.

employment rates had not fully recovered from the marked deterioration of the early 2000s economic slowdown.

The recent worsening brought the youth unemployment rate in the United States up to the OECD average, something that did not occur since 1991. Indeed, up until 2007 youth in the United States outperformed their OECD counterparts on the labour market: the youth employment rate was 9 percentage point above the OECD average; the youth unemployment rate was 3 percentage points lower than the OECD average; unemployment rarely lasted more than one year; and the share of NEET youth was slightly below the OECD average (Table 1.7). In the early 2000s, more youth experienced positive transitions from school-to-work in the United States than in many of the OECD countries with which comparisons were possible. About half of school-leavers with at most an upper secondary qualification entered a transition pathway dominated by employment and many returned to education after a spell in the labour market.

However, even before the current crisis started to unfold, some youth were left behind in the US labour market. Youth in some demographic groups – notably, Black youth, youth with no qualifications, teenagers and young women with children – are much less likely to find employment swiftly. Youth in these groups are more likely to be among the 6% of school-leavers who remain *trapped* in inactivity for as long as five years, and are thus at very high risk of labour market and social exclusion.

Table 1.7. **Scoreboard for youth aged 16-24,[a] United States, Europe and OECD, 1998 and 2008**

	1998			2008		
	United States	EU[b]	OECD[b]	United States	EU[b]	OECD[b]
Employment rate (% of the age group)	**59.0**	40.1	44.5	**51.2**	39.4	43.9
Unemployment rate – UR (% of the labour force)	**10.4**	17.1	14.8	**12.8**	15.0	13.2
Relative UR youth/adult(25-54)	**3.0**	2.2	2.4	**2.7**	2.8	2.8
Ratio unemployed to population (% of the age group)	**6.9**	7.7	7.1	**7.5**	6.4	6.1
Incidence of LTU (% of unemployment)	**4.9**	28.6	21.8	**7.1**	23.9	18.8
Incidence of part-time work (% of employment)	**34.7**	17.1	20.5	**34.1**	21.3	24.8
NEET rate (% of the age group)[c]	**10.8**	13.1	13.4	**10.9**	10.9	11.8
School drop-outs (% of the age group)[c, d]	**9.9**	15.8	17.8	**8.4**	12.0	14.2
Relative UR low skills/high skills (< ISCED 3)/(> ISCED 3)[c]	**5.8**	2.5	2.4	**4.2**	2.1	2.1

ISCED 3: International Standard Classification of Education referring to upper secondary education; LTU: long-term unemployment; NEET: neither in employment nor in education or training; UR: unemployment rate.

a) Youth aged 16-24 for Iceland, Norway (for 1998 only), Spain, Sweden, the United Kingdom, and the United States; and 15-24 for all other countries.
b) Unweighted averages for the 19 OECD and EU countries and for the 30 OECD countries.
c) 1997 and 2006.
d) Share of youth not in education and without an upper secondary qualification (youth holding qualifications at ISCED levels 0, 1, 2 or 3C).

Source: National labour force surveys; and *OECD Education database*.

CHAPTER 2

INITIAL EDUCATION AND LEARNING ON THE JOB

The quality of initial education is a key factor in facilitating the transition from education to employment and putting youth on a promising career track. The purpose of this chapter is to assess whether the current education system in the United States gives youth a good start in the labour market.

In the United States, education is managed in partnership between the federal, state and local government. The federal government tends to have a supervisory role while State Departments of Education provide guidance and funding and localities develop their own programmes to meet their specific needs. However, concerns about the large share of youth who fail to obtain a high-school diploma have motivated a number of federal initiatives by the Department of Education and the Department of Labor.

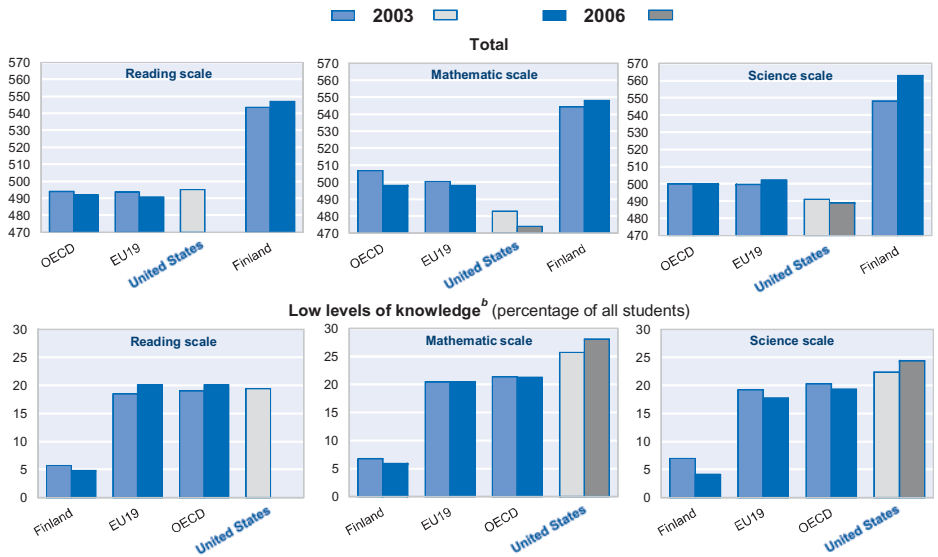
Section 1 discusses the performance of students in the United States compared with other OECD countries. Sections 2 to 4 focus on measuring and addressing school failure. Section 5 addresses the main challenges faced by tertiary education and the final section reviews students' work and young workers' participation in on-the-job training.

1. Performance of the education system

A. The average performance of 15-year olds in mathematics and science is disappointing

According to the 2006 survey of the OECD Programme for International Student Assessment (PISA), 15-year olds in the United States perform below the OECD average in mathematics and science and their performance in these two areas has worsened since 2003 (Figure 2.1). Only in reading did students in the United States perform close to their OECD counterparts, although the latest results available refer to 2003. Under all three areas of knowledge, the United States is far behind Finland – the best-performing country in the OECD according to PISA.

Figure 2.1. **United States students' performance, based on PISA 2003[a] and 2006**



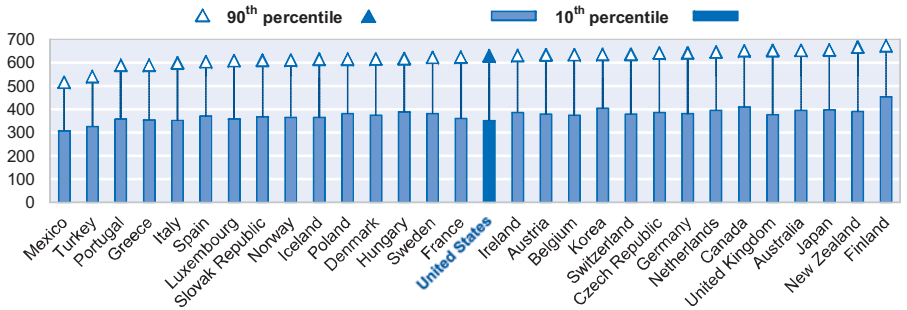
a) Performance on the reading scale was not available for the United States in 2006.

b) Data refer to the percentage of students scoring up to Level 1 in the proficiency scales. For the reading, mathematics and science scales, they refer to students scoring below 407, 420 and 410 points, respectively.

Source: OECD PISA 2003 and *2006 databases*.

Figure 2.2. **Score dispersion on the PISA 2006 science scale, OECD countries**

PISA science scores: 90th and 10th percentiles



Source: OECD PISA 2006 database.

Figure 2.2 shows that the dispersion in performance on the science scale – measured as the difference between the 10th and 90th percentile scores – in the United States is the largest across OECD countries. However, while the United States does rather badly at the bottom of the competency scale – judged by the average score of its poorly performing students, it ranks 28th in the OECD distribution – it still ranks only 15th as far as its best students are concerned (Figure 2.2).

2. Improving education outcomes through quality early-childhood education and care

There is growing recognition that quality early childhood education and care (ECEC) services provide young children, particularly from low-income families and families with an immigrant background, with a good start in life. More specifically, there is evidence that ECEC programmes can help reduce school failure and improve school performance (see OECD, 2001 and 2006a).

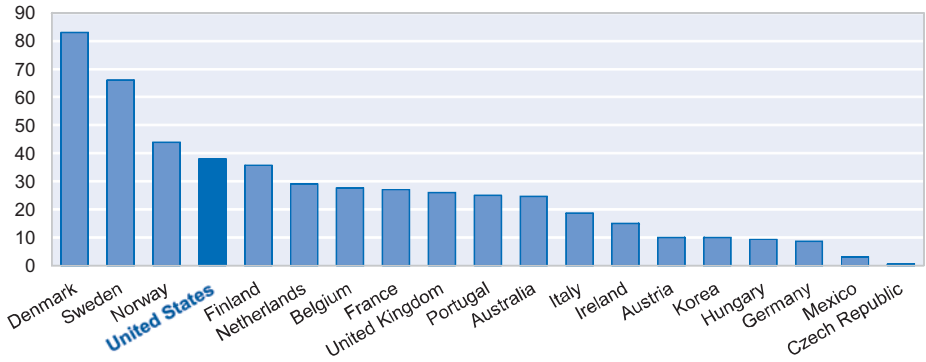
In the United States, policy and provision of child-care services are a state responsibility. States have increasingly taken a leadership role in developing and implementing services for 0-3-year olds and early intervention services for young children at risk. However, the policies in place and the allocation of resources vary greatly across states, and a number of them – ten in 2004 – provide no state funding for 0-3-year olds. At the federal level, the Department of Education funds special education for 3-5-year olds deemed disadvantaged.

Among the general population, participation rates in ECEC are low by international standards. In 2006, 66% of 3-5-year olds in the United States attended preschool programmes, up from 59% in 1990[22] but comparing badly with several European countries where entitlement and actual participation for this age group are universal. In addition, only 38% of children younger than 3 attended licensed care in 2004 (Figure 2.3). This participation rate is the fourth-highest among the countries in Figure 2.3 but compares poorly with rates exceeding 65% in Denmark and Sweden. This is partly explained by the fact that there is no general entitlement to childcare assistance in the United States, thus many young children are cared for in home-based arrangements.

22. Figures derived from the US Department of Education, National Center for Education Statistics.

Figure 2.3. **Access to licensed ECEC services for children under 3, selected OECD countries, 2004**

Percentage of children aged 0-3



Source: OECD (2006a), *Starting Strong II*.

Financial support concentrates on children living in low-income families. In 2005, 20% of families received some financial support to pay for childcare. Low-income families were the most likely to benefit from financial help[23] – 55% of families below the poverty threshold did. As a result, the most likely to benefit from help were Black, non-Hispanic children (39% benefited from financial support), children in single-parent families (47%), children of low-educated mothers (38%), children of unemployed mothers (58%) and children living in difficult neighbourhood conditions (30%).

Similarly, provision concentrates on children at risk. Table 2.1 summarises the key features of the main early-childhood education federal programmes. In addition to these, disadvantaged children are the target of a significant number of state-specific programmes.

Many authors have analysed the early academic and labour market impact of preschool programmes but three rigorous studies in particular shed light on the long-term effects of high-quality centre-based preschool programmes targeted at disadvantaged children: the Perry Preschool

23. This is partly related to the major change in welfare policy that took place in the United States in the second half of the 1990s. The change obliged many welfare recipients to look for work and the states sought to assist their return to the labour market by introducing financial help to cover child-care costs, particularly for single parents.

Project, the Chicago Child-Parent Centers, and the Carolina Abecedarian Early Child Development initiative (Box 2.1).

Longitudinal data from all three programmes showed improvements in children's cognitive outcomes (higher IQ and academic achievement), educational outcomes (fewer special education placements, less grade repetition and fewer drop-outs), labour market outcomes (higher employment rates and greater employment stability), crime outcomes (fewer arrests), and social welfare and health outcomes (less use of social services and fewer teenage parents). Randomised evaluations of the *Head Start* and *Early Head Start* federal programmes also reveal gains in children's reading, writing and vocabulary. However, research consistently shows that while participating disadvantaged children do better in terms of education, labour market performance and social outcomes than non-participating disadvantaged children, participation does not allow these children to fully overcome their disadvantage: they still achieve less well than non-disadvantaged children. Also, evidence of the impact of ECEC on 0-3-year olds is more mixed, with centre quality playing a bigger role (Melhuish, 2004).

In 2002, to help states and local communities strengthen early learning for young children, the Department of Health and Human Services and the Department of Education launched the *Good Start, Grow Smart* (GSGS) initiative. One key feature of GSGS is that federal agencies are called upon to encourage and support states to *sustain interventions* beyond the early learning years. To do so, guidelines for early learning should be aligned with guidelines for the first year in compulsory education and for up to grade 3. There is evidence that this consolidates positive outcomes from early learning programmes (Reynolds *et al.*, 2001; and Campbell *et al.*, 2002).

In early 2009, the federal government announced that it would devote part of the funding made available by the American Recovery and Reinvestment Act – the stimulus package approved to help the economy recover from recession (hereon referred to as the "Recovery Act") – to ECEC measures. For 2009, funding for Head Start and Early Head Start programmes was raised by USD 1.2 billion and USD 1.1 billion, respectively. Co-ordination between Head Start, Early Head Start and state-run ECEC programmes is also supported through grants worth USD 100 million for states to establish ECEC advisory councils.

Table 2.1. **Selected early-childhood education federal programmes, United States**

Programme	Federal agency	Who is eligible for services	Number of children served	Annual budget[a]	Type of programme
Child Care and Development Fund (CCDF)	Child Care Bureau, Administration for Children and Families, Department of Health and Human Services (HHS)	Children younger than age 13 whose parents are leaving welfare or low-income working families	1.7 million children (of these, 1.1 million children are younger than age 6)	USD 8.9 billion total from a variety of sources (of these USD 4.8 billion is part of the Federal CCDF)	States receive a block grant and have policy flexiblity. Most families receive a voucher to use in the regular childcare market
Head Start (HS) and Early Head Start (EHS)	Head Start Bureau, Administration for Children and Families (HHS)	Children younger than age 5 living in poverty (EHS serves those aged 0-3; HS serves those aged 3-5)	906 000 children (of these, 62 000 are younger than age 3)	USD 6.8 bilion	Federal grants directly to local agencies that agree to meet federal HS standards
Title I Preschool	Office of Elementary and Secondary Education, Department of Education	Preschool children in school districts or schools with a high percentage of low-income children who are most at risk of failing to meet the State academic achievement standards	400 000 preschool children	USD 274 million	Federal assistance through state educational agencies to local school districts and public schools. Schools decide how to allocated the money
Special Education Grants for Infants, Toddlers and Families	Office of Special Education Programs, Department of Education	Children from birth to age 3 with disabilities and developmental delays	272 000 children	USD 441 million	Federal assistance to the states, which pass along most of the money to local early intervention agencies
Special Education Pre-School Grants	Office of Special Education Programs, Department of Education	Children aged 3-5 with disabilities and developmental delays	680 000 children	USD 385 million	Federal assistance to the states, which pass along most of the money to local school districts

a) All funding refers to FY 2005, with the exception of CCDF funding which refers to FY 2004.

Source: HHS (2006), "A Guide to *Good Start, Grow Smart* and Other Federal Early Learning Initiatives".

Box 2.1. **The role of ECEC programmes in reducing school difficulties of children from disadvantaged families: evidence from the United States**

Several rigorous evaluations of preschool programmes have been carried out in the United States. Educational, labour market and social benefits of the participation in high-quality ECEC by disadvantaged children are well documented by the evaluations summarised below.

The federal ***Head Start*** and ***Early Head Start*** projects, introduced in 1965 and 1995, respectively, provide centre-based childcare and other counselling/guidance services to low-income families. Head Start focuses on children aged 3 or older while Early Head Start focuses on 0-3-year olds. Two rigorous evaluations of Head Start were launched in the late 1990s. The Family and Child Experiences Survey (FACES) project was launched in 1997 and followed four cohorts of 3 200 randomly selected families from representative Head Start programmes. The study found significant positive effects for Head Start on vocabulary, literacy, numeracy and social skills at the start of school, with effects being greater for the most disadvantaged children (Zill *et al.*, 2006). The National Head Start Impact Study was launched in 1998 and random assignment for the evaluation took place in 2002-03. First-year findings (Puma *et al.*, 2005) showed small to moderate positive impacts for both 3- and 4-year-old children on pre-reading, pre-writing, vocabulary and parent reports of children's literacy skills. In the socio-emotional domain, Head Start only reduced problematic behaviours among 3-year-old children. Social Skills were not improved for 3-year olds and no significant socio-emotional impacts were found for 4-year olds.

Evaluation of Early Head Start included a 1995-96 random assignment study involving 17 centres and 3 000 families (Love *et al.*, 2002). The study found that Early Head Start programmes had a positive impact on cognitive and language development, and on several aspects of socio-emotional development at age 3. Parental outcomes were also improved by Early Head Start participation. The programmes had a larger effect than average on Black, non-Hispanic children who were brought closer to the levels of development experienced by children in the other ethnic groups. Early Head Start also benefited two difficult-to-serve groups: parents at risk of depression and their children and teenage parents and their children.

The ***High/Scope Perry Preschool Project*** is a well-established early-childhood intervention that has been in operation in Michigan since 1962. The longitudinal study of the project started when children were 3 years of age. Care consisted of half-day care five days a week supplemented by 90-minute weekly home visits. It was based in an area of extreme urban deprivation with a predominantly Black, non-Hispanic population. Children with IQs lower than 90 were randomly assigned to either an intervention (allowed to participate) or control group (denied participation). Schweinhart *et al.* (2005) followed participants until age 40 and compared their socio-economic outcomes with those of the group who was randomly denied treatment. The major conclusion of the study was that the high-quality preschool programme significantly improved the likelihood of graduating from high school (65% *versus* 45% in the control group), as well as the likelihood of being employed at age 40 (76% *versus* 62%) and having higher median earnings (USD 20 800 *versus* USD 15 300). The study also highlighted a number of positive social outcomes in the treatment group such as lower crime involvement.

Chicago Child-Parent Centers (CPC) started in 1966, and provide centre-based preschool services for disadvantaged families, including education, family, and health services and half-day preschool and school-age services in linked elementary schools up to nine years. Reynolds and colleagues (Reynolds *et al.*, 2001) have been running a long-standing quasi-experimental study of a non-randomised, matched-group cohort of 1 539 (989 intervention, 550 control) low-income, mostly Black children born in 1980 and enrolled in alternative early-childhood programmes in 25 sites. The intervention group received CPC services while the control group did not receive any educational services until age 5. Children who participated in the preschool intervention for one or two years had a higher rate of high-school completion and more years of completed education, and lower rates of juvenile arrest, violent arrests and school drop-out. Both preschool and school-age participation were significantly associated with lower rates of grade repetition and special education services. The effect of preschool participation on educational attainment was greater for boys than girls, especially in reducing school drop-out rates. Children with extended programme participation from preschool through second or third grade also experienced lower rates of grade repetition and special education than those in CPC services up to school age. These positive effects of early-childhood intervention on educational attainment, social development and criminality have largely persisted up to age 20.

The ***Abecedarian*** project was a carefully controlled scientific study of the potential benefits of early-childhood education for poor children. Four cohorts of individuals, born between 1972 and 1977, were randomly assigned as infants to either the early educational intervention group or the control group. Children from low-income families received full-time, high-quality educational intervention in a childcare setting from infancy through age 5 or age 8. Each child had an individualised plan of educational activities and activities focused on social, emotional, and cognitive areas of development, with particular attention paid to language. Children's progress was monitored over time with follow-up studies conducted at ages 12, 15, and 21. The latest study (Campbell *et al.*, 2002) following youth until age 21 found that those in the preschool treatment group had better reading and mathematics skills, attained significantly more years of total education, were more likely to attend a four-year college, and showed a reduction in teenage pregnancy compared with preschool controls. Half of the children in each group were chosen at random to receive additional academic support in the first three elementary-school grades. Children in the full intervention (0-8) were less likely to fail a grade and had better reading scores than children who attended any individual components.

The Perry Preschool Project, CPC and the Abecedarian project were also found to be cost-effective. The most conservative evaluation of the Perry Preschool Project (Karoly *et al.*, 1998) estimated an overall benefit-value of about USD 2 for every dollar spent. Benefits derived from schooling, taxes on earnings, welfare savings, justice system savings and crime victim savings. Barnett (1996) found significantly higher returns – USD 7 of benefit-value for every dollar spent for the same programme. Cost-benefit analysis of the Abecedarian project (Masse and Barnett, 2002) found USD 4 of benefit-value for every dollar spent, derived from schooling, health savings and taxes on earnings for participants, their mothers and their children. Finally, the CPC was found to provide an overall benefit-value of USD 7 for every dollar spent (Reynolds *et al.*, 2001), derived from schooling and crime victim savings.

3. Tackling school-failure through accurate measurement and school accountability

A. Nine in ten young people have at least a basic qualification but many acquire it out of school

Chapter 1 showed how youth with low qualifications – those who have left education and do not hold an upper secondary qualification,[24] *i.e.* without a high-school diploma or equivalent – face more difficulties in the labour market than their better educated counterparts. This group of young people is often referred to as school drop-outs and OECD data suggest that in the United States, in 2006, drop-outs accounted for 8.4% of 15-24-year-old youth (Figure 2.4). This share was one of the lowest across OECD countries, significantly below the OECD average of over 14%.

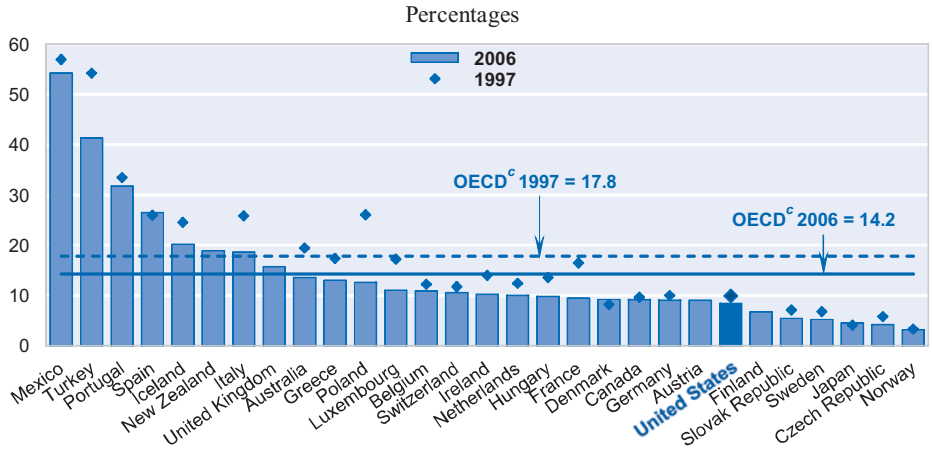
On the other hand, high-school graduation rates in the United States are low by OECD standards. In 2006, 77% of US 18-year olds – the typical age of graduation – obtained an upper secondary qualification, only slightly up on the 2000 level of 74% (Figure 2.5). By this measure of educational achievement, the United States stood well below the OECD average of 82%.

The discrepancy between the comparatively low high-school graduation rate and the relatively high share of youth with an upper secondary qualification is, in part, explained by the fact that many youth acquire a GED certificate after leaving high-school without a qualification. Some youth who have left high-school without a qualification may also acquire a high-school diploma later in life by attending remedial education or entering employability programmes with a chartered-school component (see Chapter 4).[25]

24. "Upper secondary education" identifies a level of attainment, not necessarily reached while the individual was actually participating in secondary education.

25. Almeida *et al.* (2006) suggest that 59% of high-school drop-outs obtain an upper secondary qualification later in life: 49% obtain a GED and 10% eventually obtain a high-school diploma.

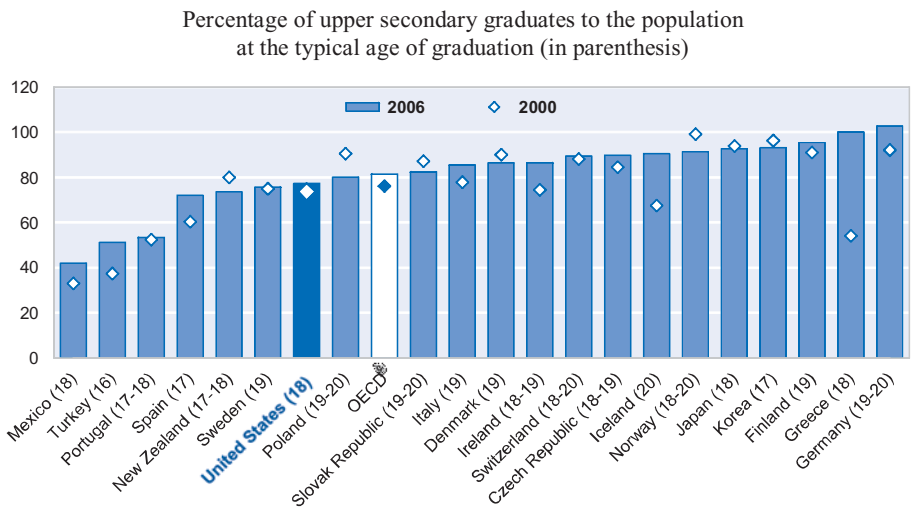
Figure 2.4. **School drop-outs[a] in OECD countries, 1997 and 2006[b]**



a) School drop-outs include all youth who have left education and only hold qualifications at ISCED levels 0/1/2 or 3C. Youth are those aged 15-24.
b) Data refer to 2003 for Japan; and 2004 for Mexico and Norway.
c) Unweighted average.

Source: OECD Education database.

Figure 2.5. **Graduation rates from upper secondary education in selected OECD countries, 2000 and 2006[a]**

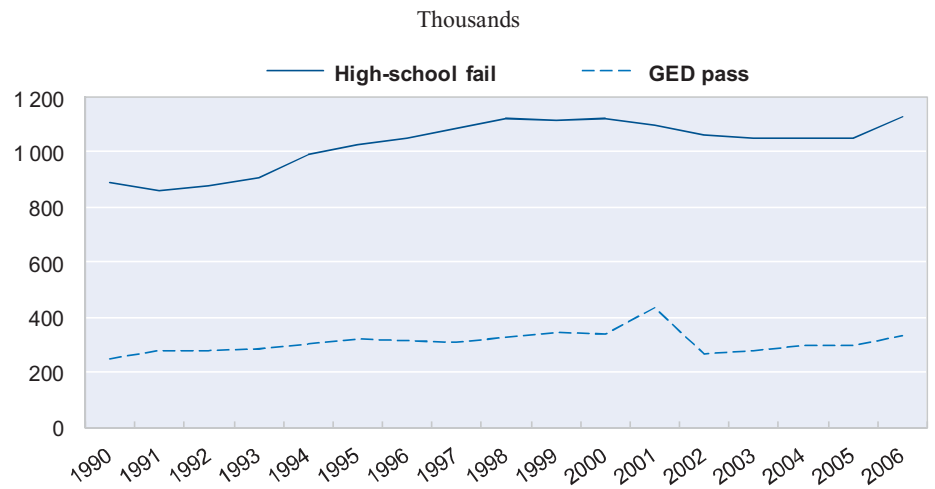


a) Data for Portugal refer to 2004 instead of 2006.
b) Unweighted average of countries shown.

Source: OECD (2008d), *Education at a Glance*.

In 2006, 1.1 million youth in their fourth year of secondary education did not graduate (Figure 2.6). In the same year, approximately 330 000 16-24-year-old youth passed their GED test. Over the past 15 years, the ratio between the two figures has remained approximately constant at 10 to 3. Note that in 2002, GED testing requirements were tightened in an attempt to raise the profile and value of the credential. This explains the fall in the numbers passing the GED test in 2002 and the rise in the numbers taking (and passing) the GED in 2001 when the forthcoming tightening was announced.[26]

Figure 2.6. **Successful GED takers and youth who fail to graduate,[a] 1990-2006**



a) Successful GED takers are youth under 25 years of age who passed the GED test in the reference year. Youth who fail to graduate are youth who had entered secondary education four years earlier and fail to graduate in the reference year.

Source: Department of Education – IES, Institute for Education Sciences, *GED Testing Program Statistical Reports*.

26. An outreach campaign alerted candidates that partial test scores from the pre-2002 GED tests could not be carried over to the new 2002 GED test series. Therefore, candidates needed to successfully complete their GED tests before 1 January 2002 or start anew with the 2002 GED test series. In addition, the minimum score requirements for passing the tests were raised in 2002. These conditions surrounding the change in GED test series resulted in an increase in numbers of test-takers and passers in 2001 and a decrease in numbers taking and passing the GED tests in 2002. However, the pass rates from 2001 and 2002, 69.8% and 70.6%, respectively, were similar (American Council on Education, 2002).

Some authors have argued that the availability of GED testing may increase the likelihood that students drop out of high-school and look for work.[27] Because GED acquisition has been found to be a second-best to a high-school diploma (Box 2.2), efforts have concentrated on accurately measuring and raising high-school graduation rates.

Box 2.2. **GED *versus* High-school Diploma or nothing at all**

A rich literature on the value of a GED certificate in the labour market and in post-secondary education has developed over the past decade.

On the one hand, Boesel *et al.* (1998) found that the wages of youth who acquire a GED are higher than those of drop-outs after controlling for individual characteristics. Other studies have shown that the earnings advantage of GED holders over school drop-outs is explained by the fact that GED allows easier access to employment and the accumulation of more work experience (Tyler *et al.*, 2003; Tyler, 2004; and Song and Hsu, 2008). However, not every early school-leaver is found to benefit to the same extent from obtaining a GED certificate relative to remaining without qualifications. Young men tend to benefit less than young women and young minority drop-outs are found to benefit very little compared with young white drop-outs (Boesel *et al.*, 1998; Tyler *et al.*, 2000; and Georges, 2001).

On the other hand, the GED route has been shown to be inferior to high-school completion. Boesel *et al.* (1998) found that wages of GED holders are lower than those of high-school graduates. Tyler and Lofstrom (2008) identified academically at-risk students in 8th grade and compared the rates of post-secondary enrolment and graduation of those who completed high school with those who dropped out and then acquired the GED. Their results show that GED holders have substantially worse post-secondary education outcomes than do similar[a] youth who have graduated from high school. However, these differences could be the result of either unobserved heterogeneity or the persistent effects of random negative shocks that caused students to leave school in the first place.

a) The authors try to control for the various selection biases involved in the comparison.

27. Heckman *et al.* (2008) exploited the exogenous increase in GED testing requirements in 2002 to determine whether raising the difficulty of the test increased the share of students who finished high school. They found that a 6 percentage point decrease in GED pass rates induces a 1.3 percentage point decline in overall drop-out rates. The effect size was also much larger for older students and minorities. The same authors use a natural experiment based on the late introduction of the GED in California to show that adopting the programme increased the drop-out rate in California by 3 percentage points over and above the increase that was already ongoing in California and in the rest of the United States at the time.

B. Measuring graduation rates accurately is key to improving them

As highlighted by the two OECD measures of school failure presented above, the picture emerging can vary significantly based on the way school failure is quantified. Box 2.3 discusses different available measures for the United States and shows time trends for three of the indicators.

While a number of sources are available to produce estimates of school failure rates in the United States, none can track individuals over time, limiting their usefulness for studying the precise timeline associated with completing school or dropping out. In addition, aggregate sources do not allow one to calculate graduation rates at the school level, thus they cannot be used as an instrument to hold schools responsible for high rates of failure.

Box 2.3. **Four measures of school failure for the United States**

- *The **event drop-out rate*** estimates the percentage of high-school students who left high school between the beginning of one school year and the beginning of the next without earning a high-school diploma or its equivalent (*e.g.* a GED). Event rates can be used to track annual changes in the number of school students who leave school with an unsuccessful outcome. The event drop-out rate was 3.8% in 2006.

- *The **status drop-out rate*** reports the percentage of 16-24-year-old youth who are not in school and have not earned a high-school diploma or its equivalent, irrespective of when they dropped out (this corresponds to the drop-out rate presented in Figure 2.4 except that the OECD measure refers to 15-24-year olds). The rate focuses on an overall age group as opposed to individuals in the school system, so it can be used to study general population issues. The status drop-out rate was 9.3% in 2006.

- *The **graduation rate*** is the share of 18-year olds who obtain a high-school diploma in a given year. It can be used to track changes in the share of youth who obtain a high-school diploma in the population at the typical age of graduation (this measure corresponds to the graduation rate presented in Figure 2.5). This is not shown in the figure below because time-series data are not available. As shown in Figure 2.5, the graduate rate was 77% in 2006.

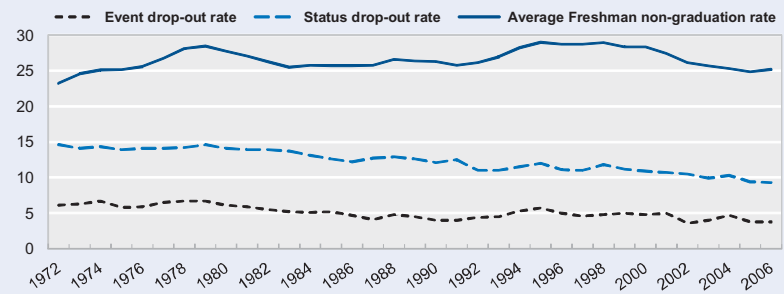
- *The **average freshman graduation rate*** estimates the proportion of high-school freshmen who graduate with a regular diploma four years after starting 9th grade. High-school equivalency qualifications are not counted as "graduation". The rate focuses on high-school students as opposed to the general population and is designed to provide an estimate of on-time graduation from high school. The average freshman graduation rate was 74.7%. The figure below presents the average freshman non-graduation rate – the complement to 100% of the average freshman graduation rate.

The importance of the way graduation rates are calculated emerges from the figure below. While the event and status drop-out rates show downward trends over the past three decades, the average freshman non-graduation rate – the most accurate measure – has increased slightly.

The first two measures are available by individual characteristics and present a consistent picture of school failure when disaggregated by gender, ethnicity and immigration status (status drop-out rate in parenthesis): school failure is less frequent among young women (8.3%) than young men (10.3%); Hispanic youth of all races fare worse than all other ethnic groups (22.1%); Hispanic immigrants (36.2%) perform much worse than average while other immigrant populations (6.6%) do better than average; school failure of second-generation Hispanic immigrants (12.3%) is significantly lower than for Hispanic immigrants but only marginally worse than third-generation immigrants or higher (12.1%).

Three measures of school failure[a] in the United States, 1972-2006

Percentages



a) For the definitions of the measures shown see the box text.
Source: IES (2008a) – US Department of Education, Institute of Education Sciences.

C. The No Child Left Behind Act aims to measure and reward school performance

The No Child Left Behind Act (NCLB) was enacted in 2002 with the aim of improving literacy, numeracy and school performance more generally across the country. In exchange for federal funding, NCLB holds states and schools accountable for making progress towards the goal of 100% of students being proficient in reading and mathematics by 2013-14, according to state standards and assessment. On the other hand, NCLB does not set an explicit nationwide target for a higher graduation rate to be achieved within a similar timeframe.

When NCLB was introduced, each state was required to develop a measure – the Adequate Yearly Progress (AYP) – to assess annually the progress of individual schools and school districts in meeting the specific state-set academic standards. AYPs were approved by the Department of Education and schools and districts face consequences over time for not meeting their state AYP.

For high schools, AYP is determined primarily by: *i)* performance on a test, administered sometime between 10th and 12th grade; and *ii)* the graduation rate. Schools that do not meet their AYP face increasing sanctions if they do not achieve continuous and substantial improvement over the following years. After two years of underachievement, schools are required to offer students the choice to change school and/or to obtain supplemental education services (tutoring). After five years of continuous underachievement, schools must undergo total restructuring. In school year 2005-06, 10% of schools across the country had underperformed for at least two years and about 3% were being restructured.

NCLB appears to have had some positive repercussions on school performance across the country. First, to meet their state AYP, schools need to meet state-set test-score requirements for all students and for each of the following subgroups: economically disadvantaged students, students from major racial or ethnic groups, students with disabilities, and low English-proficiency students. As a result, schools are paying more attention to achievement gaps and the learning needs of particular groups of students. Second, schools are also analysing test-score data more closely and making efforts to better align curriculum and instruction. Third, there is evidence that NCLB's threat of sanctions is positively correlated with test-score gains by below-proficient students in failing schools at no expense of high-performing students in the same schools (Springer, 2008).

But some weaknesses of the legislation have emerged. First, serious issues have arisen in relation to the graduation component of AYP. NCLB defines the graduation rate as "the percentage of students who graduate from secondary school with a regular diploma in the standard number of years". However, the Department of Education issued guidelines allowing states to use other definitions provided they were pre-approved and they were more accurate than the one imposed by NCLB. Unfortunately, as a result, states are using a variety of alternative definitions and, in some cases, different methods for different subgroups of students, depending on the availability of data in the state. Some states have also changed the way they calculate graduation rates over time so data cannot always be compared from one year to the next. In the school year 2005-06, only ten states were using a cohort method – *i.e.* following students over time or estimating the size of the freshmen cohort – to calculate graduation rates.[28] Another 33 states relied on "leavers" data to determine graduation rates – *i.e.* the number of completers divided by the number of completers plus drop-outs. This method overestimates graduation rates as it only counts as drop-outs students notifying the school officially that they have left education.

28. Some states have introduced students' ID to help measure how many students of a given cohort graduate.

In addition, accountability for graduation rates is much weaker that accountability for test-score requirements. Many states require schools to meet only a 50% graduation-rate objective or objectives that are lower than actual graduation rates. In addition, NCLB does not require graduation-rate objectives to be attained separately for subgroups.

Second, performance measurement through reading and mathematics tests has also had some undesirable effects. While state officials report rising student achievement, this only reflects a bigger proportion of students scoring at the proficiency level in tests. States have adopted various approaches in their testing programmes – such as the use of confidence intervals – that result in more scores being counted as proficient. Moreover, Neal and Schanzenbach (2007) find that rising average student achievement hides significant variation and that NCLB only improves the performance of students who are under the proficiency threshold but have the potential to reach it in the near future. The authors argue that because NCLB does not reward schools for improving student performance unless the improvements bring the students up to a specific proficiency standard, schools face weak incentives to devote extra attention to students who are either already proficient or who have little chance of becoming proficient soon. Finally, schools are spending more time on reading and mathematics in order to meet the test requirements, sometimes at the expense of other subjects (Jennings and Stark Rentner, 2006; and Jacob, 2004).

A third weakness of NCLB concerns the implementation of the options that should be available to pupils of either switching schools or availing of extra education services. In school year 2005-06, in the schools underperforming for two years, only 2% of eligible students changed school and 20% took advantage of extra tutoring.

In late 2008, the Department of Education approved a number of changes to improve the effectiveness of NCLB. The new regulations require that:

- States use a uniform graduation rate by 2013, *i.e.* the number of youth who graduate in the standard number of years divided by the number of students who form a cohort for that graduation class. States will only be able to propose different definitions of "standard number of years" – generally four – for limited categories that may take longer to graduate;
- States set a graduation-rate goal and define continuous and substantial improvement to determine AYP by school year 2008-09. States will also be required to include disaggregated graduation rates to determine AYP; and
- States follow new timeline and requirements for parental notification of supplemental education services and public school choice.

More recently, the incoming federal government has put forward plans to reauthorise NCLB albeit with some changes aimed at strengthening its role in raising literacy and numeracy. Proposals so far include the improvement of the assessment tools used to track students' progress to measure readiness for college and the workplace. This is to avoid teachers spending most of the academic year preparing students for reading and mathematics tests. Whether the new government plans to reform the graduation-rate requirements in NCLB remains unclear. However, new legislation is planned that will focus on reducing school drop-outs. At present, the government plans to provide funding to school districts to invest in intervention strategies in secondary education, such as personal academic plans, teaching teams, parent involvement, mentoring, intensive reading and mathematics instruction, and extended learning time.

D. Making education compulsory for longer has the potential to eliminate drop-outs altogether but enforcement needs to be strict

The challenge of reducing school drop-outs is not unique to the United States. Other OECD countries, faced with similarly high rates of school failure, have committed to raise the age of compulsory schooling until completion of upper secondary education or 18 years of age, whichever is earlier.[29] Reforms of this type have the potential to eliminate early school leaving altogether and improve educational and labour market outcomes[30]

29. The Education and Skills Act, recently approved in England, is particularly interesting as it raises the age of compulsory participation in learning but allows significant choice in the activities that can be undertaken to fulfil the learning obligation. The changes will come into force gradually, requiring youth to participate until they turn 17 from 2013 and until they turn 18 in 2015. Youth will be able to leave before they reach the new age requirements if they acquire an A-level qualification or equivalent. Learning will be either at an educational institution, with a private training provider, in work-based learning, or in accredited training provided by an employer. Also, young people working full-time – more than 20 hours per week – will be allowed to participate in training one day a week, with their employer or with an external provider. In the coming years, available learning options will be broadened to ensure that every young person finds a learning pathway that suits him/her beyond compulsory schooling.

30. There is a rich economic literature, starting with Angrist and Krueger (1991), studying the effect of compulsory schooling on education attainment. Most papers have exploited month of birth difference to show that students compelled to stay in education a few months longer were likely to achieve better education and labour market outcomes, after controlling for a number of external factors. A recent paper by Del Bono and Galindo Rueda (2006) is interesting in this respect as it exploits a unique feature of the English education system by which students who turn 16 are only allowed to leave education at two dates during the year: Easter and the end of the

but they need to be strictly enforced and secondary education must be able to cater for a broader age range and provide diversified learning routes.

At present, in the United States, 24 states require youth to stay in education until age 16, eight until age 17, 17 until age 18 and one – New Mexico – until high-school graduation or age 21, whichever is earlier.

Enforcement of these limits varies significantly. First, sanctions for non-compliance, mostly applicable to parents, range from small fines to jail. Second, exemptions from attendance exist for a number of specific situations such as: physical or mental disabilities, suspensions, expulsions, criminal adjudication, and home-schooling and religious education. Besides, 21 states also allow youth to leave school as early as age 14 with parental consent or for employment, although this is generally conditional on the school district's permission (Bridgeland *et al.*, 2006). As a result, even in states where attendance was compulsory up to age 18, as many as 4% of 14-17-year olds were not enrolled in school in 2006.

The United States is not the only country where exemptions have worked counter to the government objectives of improving school retention by raising the age of compulsory schooling. In New Zealand, the use of exemptions had been so extensive until 2007 that the increase in the age of compulsory schooling to 16 in 1993 had had no effect on the share of youth leaving school at 15. In mid-2007, the Ministry of Employment overhauled its exemption application and assessment process by: tightening eligibility; supporting parents and students at the time of application to dissuade them from pursuing the exemption; and encouraging offsite learning. In combination, these measures resulted in a significant reduction in the number of exemptions granted. Support to students whose exemption applications are declined was also introduced including advice and guidance to improve their motivation and engagement in school.

4. Strengthening alternative education and applied learning routes

A. Career and technical education in high school is not enough to motivate at-risk students

There is no separate vocational route in upper secondary education in the United States but youth can take vocational courses – so-called *Career and Technical Education* courses (CTE) – while in high school. CTE spans secondary, postsecondary, and adult education levels. In high schools, it encompasses: family and consumer science education, general labour market

school year. The authors find that students compelled to stay in school as little as three months longer than their classmates tend to achieve significantly higher qualifications and experience better labour market outcomes.

preparation and occupational education.[31] CTE is generally classroom-based and mostly taught on the same premises as academic instruction.

A recent report on the state of CTE in the United States (NCES, 2008a) estimates that just over 90% of public high-school graduates in 2005 took at least one occupational course during high school and 21% completed an occupational concentration – *i.e.* took at least three vocational courses in the same programme area. Business, health care and computer science were among the most common occupational programmes. The study suggests that occupational credits may help employment prospects of graduates. The 2000 employment rate of 1992 graduates increased with credits earned in occupational courses, from 86% with no credits to 91% with four or more credits.[32] Unfortunately, there was no evidence that youth at risk of dropping out were benefiting more from CTE – most *concentrators* were White, male and possessed an average level of mathematics knowledge. Hence, CTE may not be sufficiently "hands-on" to attract students at risk and help keep them in education until they graduate.

B. Alternative education provides a viable option for at-risk youth but funding is limited

Outside the main education system, alternative education programmes in the United States offer young people who are failing academically, or may have learning disabilities, behavioural problems or poor attendance, an opportunity to achieve in a different setting and take advantage of different and innovative learning methods.

Alternative education programmes vary significantly but they are often characterised by their flexible schedules and smaller teacher-student ratios. Most of the programmes develop individualised learning plans for students that outline the student's education pathway and help identify and organise support and a range of services that the student might need to achieve academic success. Some of the programmes ask students to sign a contract

31. Occupational education is available in 16 different occupational groupings, the so-called Career Clusters. The Career Clusters framework includes both academic and technical preparation, offers options for students to experience all aspects of a business or industry and assists students with transitions to further education and training.

32. Also, Plank (2001) and Plank *et al.* (2005) found that youth striking the right balance between CTE and academic subjects were less likely to drop out of high school. However, both studies suggested that the relationship between the CTE-to-academic ratio and the likelihood of dropping out of high school is U shaped, with the point of inflection varying between a ratio of 0.5 and 0.8.

agreeing to this plan. Another key characteristic of alternative education is the investment in academic counselling and support.

Curricula are generally linked to the attainment of a qualification and the acquisition of skills needed to find work. Academic goals include obtaining a high-school diploma – particularly for the youngest attendees who already have some high-school credits obtained in mainstream education – or a GED – for older youth who have very few high-school credits. Most programmes also provide vocational education that prepares youth to access the labour market after programme completion.

There is no precise accounting of alternative programmes in the United States, mostly because there is no agreement across the educational community as to what constitutes an alternative school or programme. As a result, estimates vary depending on how alternative schools are defined. A Survey conducted by the National Center for Educational Statistics suggests that there were 10 900 alternative *public* schools and programmes in 2000-01 (Kleiner *et al.*, 2002)[33] serving 612 000 students, equivalent to 1.3% of all public-school students in the United States.[34] The survey results indicated that there were not enough alternative education places for the number of youth who required them. Over half of school districts with some alternative provision reported that demand exceeded their capacity for alternative education options during the 1999-2000 school year.

Because of its variability and volatility, funding is one of the main challenges to the survival and expansion of alternative education programmes. With the exception of Oregon, alternative education programmes do not receive state education funds. In addition to charitable contributions and fees for services, many alternative education programmes obtain some of their funding through federal grants. Many of the employability programmes for disconnected youth funded under the Workforce Investment Act grants by the Department of Labor qualify as alternative education programmes (see Chapter 4). In addition, through the Multiple Education Pathway Blueprints, the Department of Labor provides funding specifically to develop good practice in the provision of alternative education options (Box 2.4). However,

33. Estimates including *private* institutions suggest that there were over 20 000 alternative schools and programmes designed to reach students at risk of school failure in operation in the early 2000s (Lange and Sletten, 2002).

34. There is some indication that the number of alternative schools has increased over time. National Center for Educational Statistics data suggest that there were 2 600 alternative schools in 1993-94 and 3 850 in 1997-98. However, these figures are not directly comparable to that for 2000-01 because they exclude alternative programmes located within regular schools.

overall Department of Labor funding is limited compared with education spending per pupil in public schools and imposes a number of constraints in terms of participants' characteristics forcing alternative schools to change interventions to accommodate federal goals.

Box 2.4. **Multiple Education Pathway Blueprints to support the implementation of alternative education systems**

The ***Multiple Education Pathway Blueprints***, funded by the Department of Labor, provides approximately USD 3.4 million to seven mid-sized cities in six states to "blueprint" and implement a system that can reconnect youth who have already dropped out of high school to a variety of high-quality, innovative multiple education pathways.

The programme was launched in mid-2007 and progress reports so far indicate that most cities have created multi-sector partnerships and set up councils/teams addressing the drop-out issue in their area. In addition, in order to assess community needs, most cities have launched quantitative studies of the youth population – *e.g.* to quantify the drop-out challenge and to identify early indicators of drop-out risk – and analysis of educational options and resources already available.

Many cities are also planning to replicate examples of good practice from elsewhere in the United States. For instance, the city of Gary (Indiana) is putting pressure on the state government to introduce a bill mandating that state education funding must be available for students enrolled in school up to age 21, which would replicate the positive experience of Portland (Oregon) where mainstream education funding can be allocated to alternative schools. In addition, new approaches to education are already being planned or piloted, including: the launch of early-warning systems and new support services during the summer or first semester of high school; Saturday school programmes that get youth back on track; and vocational education and training programmes.

C. Portland provides a unique model for alternative education funding

The Portland school district explicitly charges Portland Public Schools (PPS) with responsibility for reconnecting with its out-of-school youth. As a result, PPS works closely with community-based organisations and Portland Community College to offer its students a variety of alternative education options, including specialised programmes for at-risk youth, out-of-school youth, homeless students, teen parents, teens with drug and alcohol problems and teens returning from the juvenile justice system. Box 2.5 describes two of the alternative education programmes within the Portland school district.

Box 2.5. **Portland alternative education network: two examples**

Open Meadow Alternative Schools (OM) is one of the oldest alternative education institutions in the United States. OM provides intensive support services designed to reconnect youth with education and assist them in addressing barriers that previously interfered with school success. The average class size is just 12 students. In 2006-07, OM served 600 youth, 59% were Black and 73% qualified for free/reduced-price lunches. OM runs three school programmes and three career programmes. While school programmes – a middle school, a high school and an environmental conservation programme – help youth acquire a high-school diploma, career programmes focus on improving their employability through employment training, job placements, career mentoring, career planning and paid internships. OM also runs a programme that provides tutoring and support to 300 students in need of extra academic assistance in their own mainstream school. Despite attendance records of close to 40% before enrolment, OM students' attendance rates have exceeded 90% in recent years.

The ***Portland Community College's Gateway to College programme*** (GTC) serves out-of-school youth or students at risk of dropping out of their mainstream high school by offering them a second chance to earn a high-school diploma and substantial credits towards an associate's degree. GTC can last up to three years and begins with precollege coursework for one or two terms to cover basic academic skills. After this stage, students can move on to taking college courses. Students choose career majors or "pathways" that align high-school completion with college-degree or certificate requirements. All through the process, youth receive counselling and support. Across the over 50 cohorts so far, GTC average attendance has exceeded 90%. This alternative education programme is being replicated nationwide with funding provided by the Bill and Melinda Gates Foundation.

Portland's network of mainstream and alternative education options is made possible by an Oregon law stipulating that state residents have a right to a publicly-funded education until they receive a high-school diploma or reach age 21 by the start of a school year. This law allows Oregon school districts to establish alternative education options within their systems or contract with qualified private providers. Such programmes, whether district- or privately-run, must meet the state's common curriculum goals, academic content, and state testing requirements. In practice, education funds follow the students as they move in and out of mainstream and alternative education. In Portland, the district receives 100% of the state's per-student aid for enrolled students and contracts with alternative education providers who are paid for actual programme costs or 80% of the district's per-student expenditure, whichever is lower. This system ensures significant funding stability for the alternative education programmes in the area, hence contributing to a stable network of education options for at-risk youth in the area.

Since 1999, statistics on the programmes contracting with PPS have been collected annually. In 2003-04, 2 232 students attended alternative education in the Portland school district, close to 15% of total high-school students in the area. About 15% of alternative education students came from mainstream education while the remainder were out-of-school drop-outs brought back through their enrolment in alternative programmes (Martin and Brand, 2006). In the school year 2003-04, the attendance rate of students in PPS alternative programmes was 86%. In the same year, 80% of attendees were judged to have experienced positive outcomes such as gains in skills, high-school graduation, GED attainment, employment, transition to a mainstream public high school, or continued involvement in an alternative programme. PPS provided on average USD 35 per pupil per day to fund alternative education programmes. This funding was doubled through federal funds, contributions from local business and philanthropic organisations.

D. Registered apprenticeships are a promising path to skill acquisition but there are too few of them

Apprenticeships in the United States are entirely demand-led and their structure and characteristics vary significantly. Only Registered Apprenticeships (RAs) are regulated. Indeed, registration with the Office of Apprenticeships at the Department of Labor – the competent federal agency – or with federally-approved State Apprenticeship Agencies (SAAs)[35] certifies that an apprenticeship scheme meets all the standards set by law.

RAs are open to all individuals aged 16 or older.[36] Until recently, RA completion was mostly *time-based* but a new rule, in force since December 2008, currently allows for two additional approaches: a *competency-based* approach, which requires the apprentice to demonstrate competency in the specific training area; and a *hybrid* approach, which includes both hours of training and competency requirements. The rule also introduces the possibility of issuing interim credentials that offer apprentices recognition for intermediate accomplishments, thus providing incentives to complete their programmes.

35. The District of Columbia, Puerto Rico, Guam and 27 states have chosen to establish their own SAAs. In each state, SAAs register programmes, provide technical assistance and promote the use of RA as a learning model.

36. However, in some occupations, 16- and 17-year olds must have parental consent to become an apprentice.

The subject content and completion requirements of a specific apprenticeship programme differ across occupations and are developed by employers or Joint Apprenticeship Committees – bodies bringing together union representatives and employers – to ensure job competency over time. However, the following major components are common to all RAs:

- *On-the-job training:* RAs are in occupations that require at least 2 000 hours per year of work-based learning;
- *Class-based instruction:* apprentices receive at least 144 hours per year of technical training in highly skilled occupations, often provided at local community colleges and increasingly through distance learning. In the United States, the combination of class-based and on-the-job training is a unique feature of RAs;
- *Mentoring:* apprentices work and learn under the direction of qualified personnel, or mentors, who are experienced and proficient in their field. Mentors are not necessarily supervisors but coaches who help apprentices learn skills they need to carry out their jobs successfully; and
- *Incremental wage increases:* apprenticeship pay varies across programmes. Apprentices earn an entry wage below the industry average – on average 50% of the industry prevailing/journey-level wage – but get six-monthly pay increases commensurate with their skill attainment as they progress through their training.

It is rare for apprentices to complete the apprenticeship with a single employer and most rotate on several different postings. This allows them to see various aspects of a trade and makes it less burdensome for employers to provide on-the-job training. Upon completion, in addition to an apprenticeship certificate, some RA schemes award credits towards a college degree.

The Office of Apprenticeships and SAAs have no funding role. Instead, they are charged with protecting the safety and welfare of apprentices, promoting the development and recognition of new programmes and occupations, and assuring that all programmes provide high quality learning and produce skilled and competent workers. They also issue nationally recognised certificates of completion at the end of the RA programme.

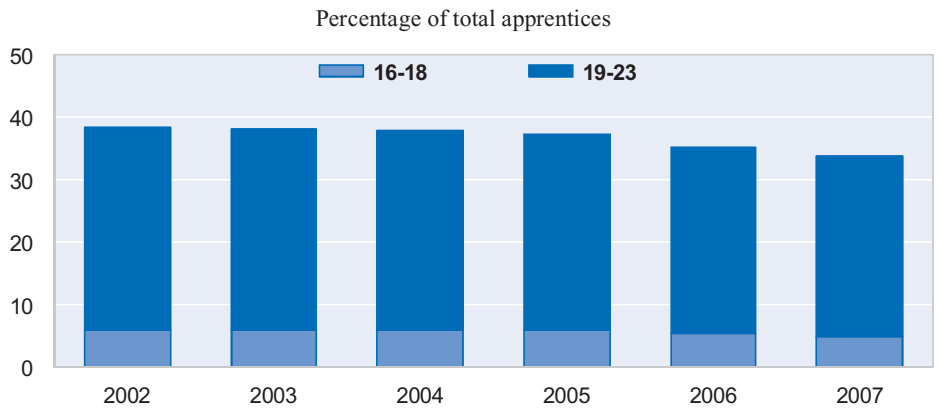
In the traditional trades, unions play a key role in the organisation of apprenticeships by: *i)* setting standards jointly with employers; *ii)* screening applicants; *iii)* sponsoring pre-apprenticeship training that allows applicants to enter an apprenticeship at a higher level and salary; *iv)* matching apprentices with employers; and *v)* certifying apprenticeships. Because of the services they provide and the funding they can allocate to training,

unions play a key role in involving employers – particularly SMEs. However, not all RAs are managed by unions and employer-led models are more likely in the service sector.

The number of registered apprentices in the United States has increased steadily over the years. In 1990, there were an estimated 300 000 apprentices in RAs, and by 2007 this figure had risen to 470 000. In 2007, 3 250 new programmes were created and 233 000 new apprentices started one of the almost 28 000 existing programmes. RAs are concentrated in Construction and Manufacturing – approximately three-quarters of all apprentices are in these industries. National statistics indicate that 28% of the apprentices are from minorities and 7% are women.

In 2007, youth aged 16-23 accounted for 34% of registered apprentices in the nine major sectors, down from 38% in 2002 (Figure 2.7). Although this share is relatively large, it corresponds to just 0.6% of employed 16-23-year olds. As a result, increasing the share of young apprentices in the labour force would require expanding the programme significantly.

Figure 2.7. **Share of youth apprentices[a] by age group, United States, 2002-07**



a) Share of youth in the stock of apprentices in the following industries: Agriculture, Mining, Construction, Manufacturing, Transportation/Communication, Wholesale/Retail Trade, Fire, Services, Public Administration. In 2007, these sectors employed approximately 60% of total apprentices.

Source: Department of Labor, Registered Apprenticeships Information System.

Over 80% of young registered apprentices were training in the construction sector. Youth aged 16-18 represented just 5% of registered apprentices and young women, youth of ethnic origin and youth with

disabilities were also under-represented reflecting the overall gender and ethnic distribution.[37]

Over the past few years, the Office for Apprenticeships has intensified efforts to expand and modernise the RA programme. Notably, since 2004, the government has pursued registration of new apprenticeship programmes in high-growth industries such as Health Care, Advanced Manufacturing, Information Technology, Maritime Transportation, Military, Geospatial Technology and Biotechnology. The Military and Maritime Transportation had operated apprenticeships for a number of years but had not adopted the RA model. The other five industries had never used the apprenticeships training model and were given seed capital to develop programmes. In all industries, significant outreach initiatives were put in place. In 2007, 46% of all new registered programmes and 30% of active apprentices were in high-growth industries.

However, expansion beyond the traditional trades continues to face a number of challenges: *i)* in the service sector, apprenticeships are often led by a single employer without union support, as opposed to the model described above which is very prominent in the traditional trades; *ii)* service industries tend to prefer certification based on competency than on years of apprenticeship participation and this requires considerable efforts in setting competency standards, an activity carried out by unions in the traditional trades; and *iii)* in the long-standing apprenticeship schemes, employees (not apprentices) and employers pay a small contribution to a training trust fund that can be used to finance apprenticeships but these funds are not available or have only just started to accumulate in some of the new industries.

In addition, while the apprenticeship model has the potential to be a good training model for youth who have become disaffected with academic education, the expansion of RAs to at-risk youth faces a number of challenges. First, many RA programmes require youth to be relatively high-skilled at entry, hence ruling out participation for many at-risk young people. Second, because places are limited, the application process is very competitive and accessing an apprenticeship generally requires a high-school diploma or a GED certificate. However, some examples of good practice in this area exist.

On the one hand, unions engage with several vocationally-oriented alternative education programmes to ease participants' transition to

37. Affirmative action initiatives have been intensified to increase the share of women and youth with an ethnic background in apprenticeships. It is noteworthy that the law requires that affirmative action activities are carried out in any apprenticeship programme with more than four participants.

apprenticeships upon completion. Access is often granted at a second-year level, allowing these young people who have already received some relevant vocational training to complete faster. In a way, these alternative education programmes serve as pre-apprenticeship training for at-risk youth.

On the other hand, some states – notably, Arkansas, Michigan and Missouri – have introduced tax-credit schemes for youth apprenticeship programmes. In Arkansas, employers are entitled to a tax credit of 10% of wages paid or USD 2 000 per apprentice, whichever is less, for youth aged 16-21 and enrolled in a public or private secondary or post-secondary school. In Missouri, employers are entitled to a 50% tax credit on wages paid to apprentices aged 21 or younger. Finally, Michigan has set up a so-called *School-To-Registered-Apprenticeship* refundable tax credit. Employers who train registered apprentices younger than 20 who have not obtained a high-school diploma and who are enrolled in high school or a GED test preparation programme are eligible for a refundable tax credit of up to USD 2 000 per apprentice per year. The tax credit covers 50% of the wage-related costs of the young apprentice including salary, fringe benefits and other payroll expenses. The tax credit also covers up to 100% of the costs of classroom-related instruction paid by the employer. These costs could include college-level courses (tuition, fees and books) taken by the student while still in high school. To qualify for the tax credit, the minimum term for the RA programme must be 4 000 hours.

Apprenticeship schemes in Australia and the United Kingdom, where the government helps organise and funds off-the-job training and provides subsidies for on-the-job training, may provide suggestions of how to encourage employers to take on more apprentices, particularly among youth.

In both countries, off-the-job training can be provided by private training providers – Registered Training Organisations in Australia and Local Learning Providers in the United Kingdom. Quality certification for the training they provide and, in the United Kingdom, funding for their services are ensured by the government through State or Territory Training Authorities in Australia and Learning and Skills Councils in the United Kingdom. In addition, in the United Kingdom, employers can set up Group Training Associations to join forces for the provision of off-the-job training. This is particularly useful for SMEs wanting to hire apprentices in rural/isolated areas where private training providers are difficult to find. In the United States, the certification/funding of private providers of off-the-job training may allow the expansion of apprenticeships in non-unionised sectors.

In addition, in the United Kingdom employers can claim some on-the-job training expenses back from their local Learning and Skills

Council, with larger funding levels granted for 16-18-year olds apprentices. In Australia, employers receive subsidies to cover on-the-job training costs. Their amount varies based on the characteristics of both the business and the apprentice including: age and qualification of the apprentice; whether he/she has a disability; and whether he/she has attended a school-based apprenticeship, *i.e.* a programme aimed at preparing youth in their last two years of high school to start an apprenticeship upon graduation. In the United States, subsidies of this type may help expand apprenticeships among teenagers.

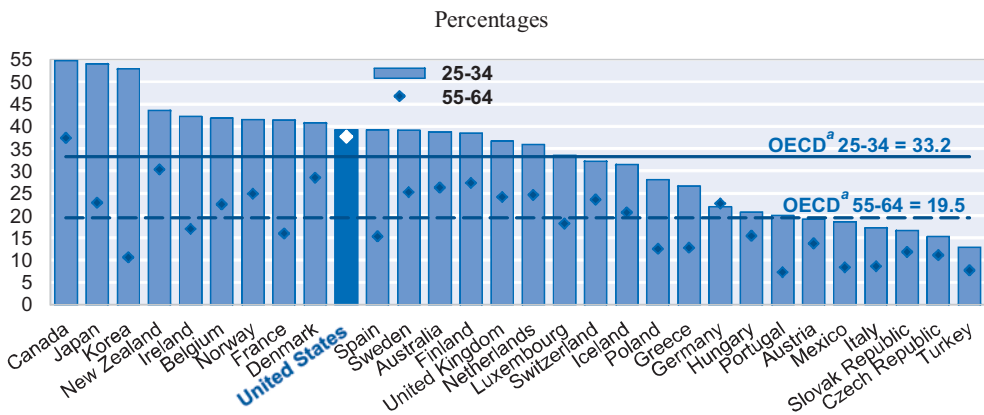
It is noteworthy that adopting these examples of good practice in the United States would require a broader role for the Office of Apprenticeships as well as increased funding.

5. The main challenges facing the tertiary education system

A. The share of youth holding tertiary qualifications is high but not growing

In 2006, in the United States, 39% of 25-34-year olds held a tertiary qualification, well above the OECD average of 33% (Figure 2.8). However, some other OECD countries exceeded this level of educational attainment. In addition, in the United States, tertiary graduation rates have been growing very slowly in recent years.

Figure 2.8. **Tertiary educational attainment rates in OECD countries, 2006**



a) Unweighted average.

Source: OECD (2008d), *Education at a Glance*.

Changes over time in the attainment rates of a country can be approximated by comparing the attainment rates for older and younger age groups. In 2006, 38% of 55-64-year olds had completed a higher education qualification, only marginally lower than that for 25-34-year olds, suggesting little change in tertiary attainment rates over the past 30 years. In contrast, for the OECD as a whole, the proportion of the population aged 25-34 with tertiary education qualifications is 13 percentage points higher than for the 55-64 age group. As a result of varying dynamics in the expansion of tertiary education, the United States has moved from first place for tertiary education attainment levels among 55-64-year olds to tenth place among 25-34-year olds.

While the rate of growth in tertiary enrolments – 8% annually on average between 2000 and 2006 – remains one of the highest in the OECD, participation in post-secondary education varies by ethnicity and family income. In 2006, enrolment rates of Black and Hispanic high-school graduates were 10-13 percentage points lower than those of their White counterparts (IES, 2008b) and analysis conducted on the NLSY 1997 cohort showed that family income was an important determinant of college enrolment (Aughinbaugh, 2008).[38] In addition, the number of graduates is growing much less fast than average enrolments – 3% annually over the same period. Therefore, increasing enrolments rates among under-represented youth and raising completion rates is essential for the United States to improve its international ranking in educational attainment in the near future.

The United States government currently estimates that 90% of the fastest growing jobs require post-secondary education and training and that 63% of all new jobs in the next decade will require a college degree. As a result, some states have introduced numerical goals for tertiary education attendance and graduation. In 2006, 20 states had set at least one goal for increasing enrolments statewide, ten had set a retention goal and 19 a graduation goal. Only five had established goals or targets that are disaggregated by ethnicity, income and gender (Collins, 2006).

At the federal level, Pell Grants are the key policy initiative to raise post-secondary enrolment rates among low-income students. The Grants are administered by the Department of Education and provide financial support

38. Aughinbaugh (2008) showed that a 1% increase in family income is associated with a 5 percentage point increase in the probability of attending college. Being Black or Hispanic was also found to reduce attendance even after the inclusion of family income, high-school outcomes, and parents' educational qualifications as explanatory variables.

to attend one of about 6 000 institutions. Their amount depends on: the student's expected family contribution based on personal or family income and assets and family size; the cost of attendance; the student's enrolment status (part-time or full-time); and whether the student attends for a full academic year or less. In 2008, a total of USD 19 billion was available for the Grants and Pell Grant recipients made up approximately 27% of the undergraduate population. Independent students with dependants, Black and Hispanic students, students whose primary language was not English, disabled students and single parents were most likely to have received a grant (Cook and King, 2007).

A recent study by Mundel (2008) found that a Grant-induced decline in the net price of attending college of USD 1 000 resulted in approximately a 6-7 percentage point increase in the overall immediate post-high-school college enrolment rate. This result is consistent with several rigorous studies of other major student grant programmes – such as the Social Security Student Benefit programme (Dynarski, 2003) – which indicate that large, well-targeted, simple-to-understand, consistently-funded grant programmes are more likely to positively influence college enrolment rates.

Congress has recently approved an increase in Pell Grant funding to USD 27 billion as part of the Recovery Act of 2009. The grants application process has also been recently simplified.

B. Returns to university education are high by international standards

On average, people holding higher education qualifications command significantly higher salaries than those with only secondary education and in the United States, these wage premiums are particularly high. In 2006, earnings for 25-34-year olds with a higher education qualification were 60% higher on average than those for people with only an upper secondary qualification, a differential that is exceeded only in Hungary and Portugal (Table 2.2). There is evidence that these returns have increased significantly over the past two decades and so has the employment share in occupations requiring post-secondary qualifications (Autor *et al.*, 2006; and Lemieux, 2006). Higher education graduates also have a much greater chance of finding jobs than those who do not attain this level of education, as shown in Figure 2.9.

Table 2.2. **Earnings advantage of graduates with tertiary *versus* upper secondary education,[a] 25-34, selected OECD countries, 2006[b]**

Index, upper secondary education = 100

	Total	Males	Females
Hungary	196	219	180
Portugal	166	167	170
United States	**160**	**162**	**171**
Italy	157	169	155
Turkey	156	171	133
Poland	155	169	157
Czech Republic	152	160	146
United Kingdom	151	141	172
Ireland	150	158	151
Netherlands	140	136	145
Germany	139	142	138
Luxembourg	138	143	128
Switzerland	138	126	148
Canada	137	134	157
Austria	137	136	147
France	133	135	142
Finland	130	139	145
Australia	126	124	142
Spain	126	123	139
Korea	125	117	148
Belgium	123	124	131
New Zealand	113	114	124
Denmark	112	113	123
Norway	110	108	129
Sweden	108	109	116
OECD[c]	**139**	**142**	**145**

a) Data are expressed as an index, with the average earnings of a person with an upper secondary qualification equal to 100. The *Total* average for earnings is not the simple average of the *Male* and *Female* earnings figures, but rather the average based on earnings of the total population. This overall average weights the average earnings figure separately calculated for men and for women by the share of men and women at different levels of attainments (and therefore of earnings).

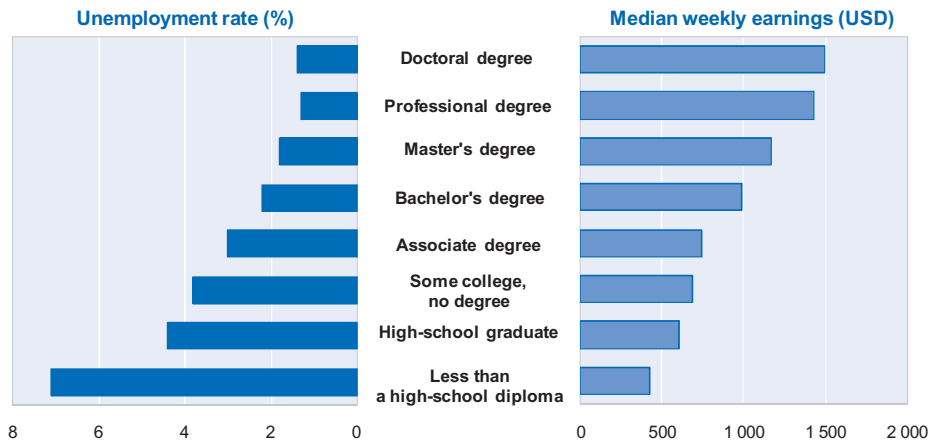
b) Data for Australia, Belgium, Canada, Denmark, Norway, Portugal, Sweden and Turkey refer to 2005; for Finland, Ireland, Italy and Spain to 2004; for Korea to 2003; and for Luxembourg and the Netherlands to 2002.

c) Unweighted average of countries shown.

Source: OECD (2008d), *Education at a Glance*.

Figure 2.9. **Earnings and unemployment rates by qualification, individuals aged 25 or older, United States, 2007**

Percentages and US dollars



Source: Current Population Survey.

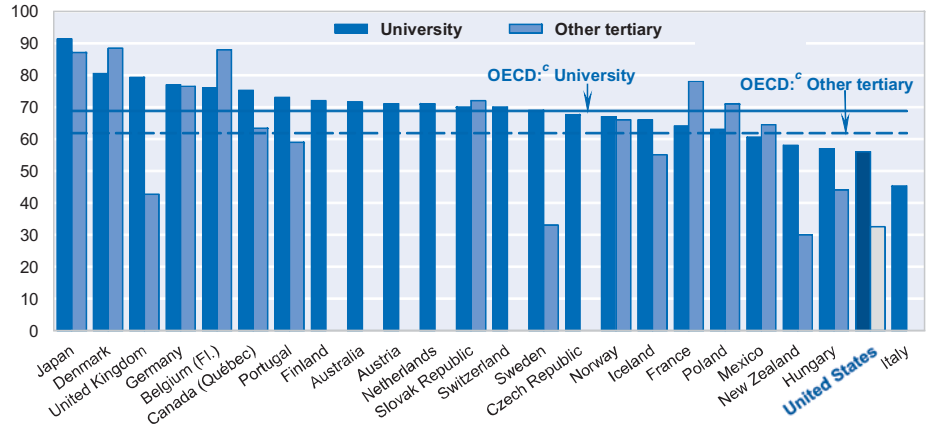
C. Reducing university failure is key to increasing the number of graduates

In the early 2000s, university completion rates in the United States were the second lowest in the OECD, after Italy. Only 60% of youth who started university completed (Figure 2.10). This compared with university completion rates of close to 70% in the OECD on average, and over 80% in Japan, Denmark and the United Kingdom. The likelihood of finishing a tertiary vocational course in the United States was even lower at just 30%, about 30 percentage points below the OECD average and far from completion rates of over 80% in Japan, Denmark and Belgium.[39]

39. Completion rates in tertiary vocational education in the United States may be underestimated for a number of reasons: *i)* the United States is one of just two countries where only full-time students are used to obtain completion rates; and *ii)* short vocational programmes lasting two years or less are not counted as tertiary education, although this applies to all OECD countries.

Figure 2.10. **Completion rates[a] in tertiary education, selected OECD countries,[b] late 1990s and early 2000s**

Percentages



a) Completion rates in tertiary education represent the proportion of those who enter a tertiary programme, who go on to graduate from at least a first tertiary programme. Completion rates are calculated using one of two methods: *i)* the cross-section method, whereby the number of graduates divided by the number of new entrants in the typical year of entrance to the specified programme and adjusted by the actual average time needed to complete a course of study; or *ii)* the true-cohort method which uses panel data. Details of which method is used for each country and the exact cohort or cross-section years are available from OECD (2008d). For the United States, the true-cohort method is used and refers to a 1999 cohort for university programmes and a 2002 cohort for other tertiary programmes.

b) Only full-time students are used to obtain completion rates in Denmark and the United States.

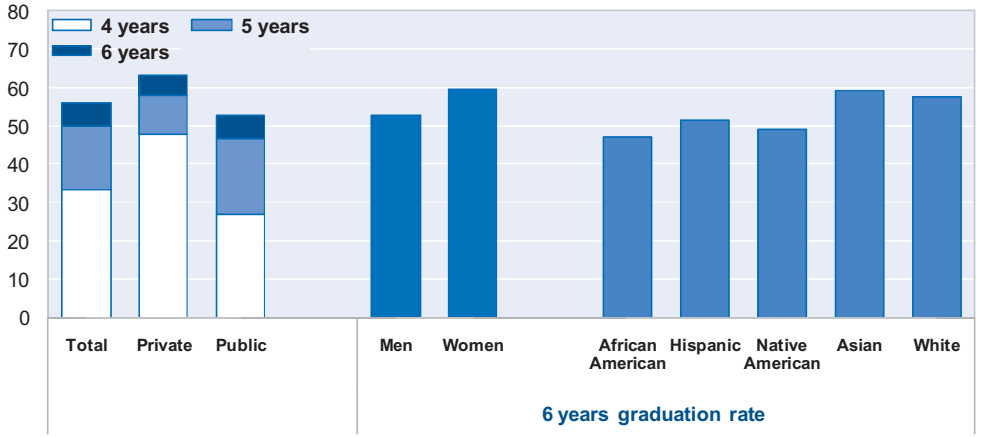
c) Unweighted average of countries shown.

Source: OECD (2008d), *Education at a Glance*.

National data on tertiary graduation rates in 2006 show that while an average of 55% of students graduated within six years, there were marked differences in graduation rates between private and public institutions and across demographic characteristics. Less than half of African-American students graduated within six years of starting tertiary education compared with close to 60% of Asian and White students (Figure 2.11). Women's six-year graduation rates were 7 percentage points higher than men's and there was a gap of 10 percentage points between private and public institutions.

Figure 2.11. **Graduation rates in tertiary education by selected characteristics, 2006**

Percentages



Source: The Education Trust, *College Results Online*.

Several factors have been blamed by experts for this poor performance. First, there is a significant and widespread lack of transparency on graduation rates, particularly by demographic characteristics, to prospective students and their families. Second, many high-school graduates who enrol in higher education are not ready to do advanced work: 20% of students who enter a public four-year university take at least one remedial reading, writing or mathematics course in their first year and 12% of students in private four-year universities do the same (Carey, 2004). Despite significant investment in remedial classes by many tertiary institutions, few co-operate with high schools in their area to improve their curriculum and the preparedness of students for university study. Third, most state systems of funding public higher education are based on the simple total number of enrolled students, while the number of credit hours obtained by students and/or graduation rates do not matter. In the United Kingdom, one of the OECD countries with the highest university graduation rate, institutions do not receive their full per-student allocation until the student actually graduates.[40]

40. While there is evidence that high tuition fees may also contribute to low completion rates in tertiary education, the magnitude of their effect suggests that they are not the main impediment to degree completion (Dynarski, 2005).

D. Community colleges provide a valuable pathway to employment and further education for some disadvantaged youth

Community colleges are a vital part of the post-secondary education delivery system. They are public two-year post-secondary – non-tertiary – [41] institutions that primarily award associate's degrees and certificates, allow access to four-year institutions and offer a wide range of training services in their local communities.

In 2006/07, community colleges served 35% of students enrolled in post-secondary education in the United States (NCES, 2008b). Community colleges enrol larger shares of low-income, minority students than four-year public and private not-for-profit institutions. Students tend to be older (28½ on average) and are more often financially independent (61%) than students at four-year institutions (25% and 38%, respectively). The American Association of Community Colleges reports that, in 2008, 46% of Black and 55% of Hispanic youth enrolled in post-secondary education were enrolled at community colleges. Differences in enrollees composition are partly due to the fact that average annual community college fees (USD 2 017 per year in 2006/07) are less than half those at public four-year public institutions (USD 5 685) and one-tenth of those at private not-for-profit universities (USD 20 492). Community colleges are also more present in rural areas than four-year public and not-for-profit private institutions.

Because of these characteristics, community colleges can represent a successful pathway towards employment or four-year degrees at other public/private institutions for youth from a disadvantaged background. While completion rates at community colleges are lower than at university,[42] many community-college students do not enrol to obtain a degree but rather to acquire skills needed to enter work. Marcotte (2006) shows that community-college credits and qualifications increase subsequent earnings, especially for women.

41. Certificate programmes (one year) and associate's degree programmes (two years) are not considered tertiary education for the purpose of international comparisons.

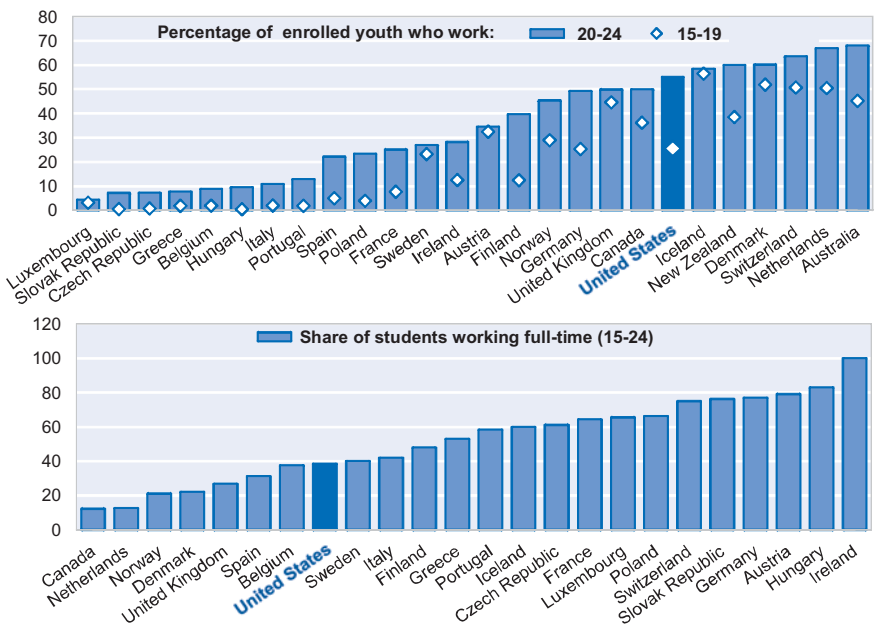
42. NCES (2008b) finds that completion rates among community-college entrants who intended to transfer to a four-year programme were lower than among entrants in four-year public and not-for-profit private universities.

6. Work and study and study at work

A. Over half of young adults combine work and study

As indicated in Chapter 1, the share of teenagers working and studying in the United States has declined significantly since the early 2000s. However, in 2006, combining work and study was still very common compared with other OECD countries (Figure 2.12). In the United States, in 2006, 25% of teenagers worked during fourth term along with 55% of 20-24-year-old students. In addition, about 40% of working students worked full-time. Sum *et al.* (2007b) exploit data from the American Community Survey of 2006 to show that high-school students from lower socio-economic background and those of ethnic origin work much less than average.

Figure 2.12. **Work and study across OECD countries and hours worked by age group, 2006**



Source: OECD Education database; European Union Labour Force Survey; and national labour force surveys for Canada and the United States.

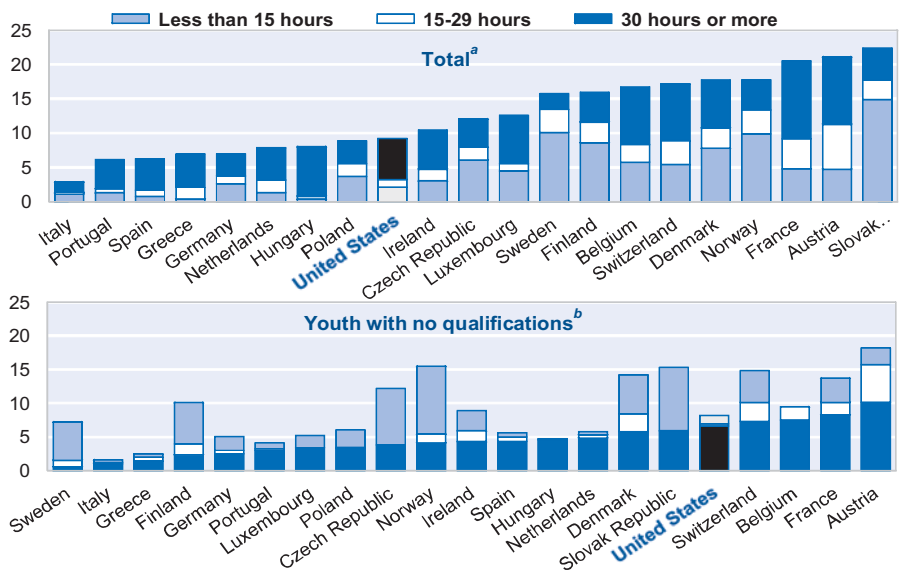
While the combination of work and study continues to be more common in the United States than in many European countries, analysts in the United States have expressed worries that the recent fall in employment among teenage students may negatively affect their post-education employment prospects.

B. Only one in ten youth receive on-the-job training in the United States

In the early 2000s, youth in the United States received little on-the-job training compared with many of their European counterparts (Figure 2.13). Only 10% of 18-22-year olds received any on-the-job training compared with more than 20% in the Slovak Republic, Austria and France. This is not encouraging as continuous improvements in employability through on-the-job training have been shown to improve labour market outcomes (see OECD, 2003 and 2004). In addition, as in other countries, training is not well distributed across the workforce and seldom reaches those who need it most – low-skilled workers. In the United States, low-skilled youth receive less on-the-job training than average across qualifications although they benefit from longer hours of training than many of their European counterparts.

Figure 2.13. **Incidence of job-related training by duration of the training course, 18-22-year olds, United States and European countries, early 2000s**

Percentage of 18-22-year-old employees



a) Countries are ranked by ascending order of the total incidence of training.
b) Countries are ranked by ascending order of the incidence of training courses lasting at least 30 hours.

Source: OECD calculations based on the European Union Labour Force Survey, Life-Learning Module 2003 for the European countries; and the National Longitudinal Survey of Youth 1997 for the United States.

7. Key points

Fifteen-year olds in the United States compare poorly internationally on their competency in mathematics and science. Most notably, students' competency is among the lowest in the OECD at the low end of the school performance scale. This disappointing performance may partly explain why one in four students in the United States fails to graduate from high school.

Various recent initiatives could contribute to improve this poor performance beginning with early-childhood initiatives. Funding available for *Head Start* and *Early Head Start* was raised substantially for fiscal year 2009 as part of the stimulus package to help the economy recover from the current recession. In 2002, the federal government launched the GSGS programme aimed at encouraging states to align early learning interventions with high-school curricula in the light of evidence that interventions *sustained* beyond early learning are the most effective. Attendance at high-quality early-childhood services has the potential to improve later education and labour market outcomes, particularly among children with a disadvantaged background.

Also in 2002, the federal government introduced the NCLB Act. The Act makes schools and districts accountable for their students' performance as measured by a test and by graduation rates. Underperforming schools face increasing sanctions. While the reform has had some positive effects on the attention paid to achievement, particularly among the weakest students, the Department of Education has recently approved changes to tackle the weaknesses that have become apparent: *i)* the lack of a uniform measure of "graduation rates"; *ii)* the failure to set challenging graduation objectives; and *iii)* the limited information available to students of sanctioned schools and their families. The new administration has also announced plans to improve tests used to track students' progress in NCLB and to pass specific legislation providing funding for measures to reduce drop-out rates.

Other features of secondary education run counter to the objective of increasing high-school completion. First, while in many states education is compulsory until age 18, exceptions exist and in many cases they are only conditional on parental consent or employment. Second, vocational education is provided mainly by alternative education institutions which face significant funding constraints in most states. Third, apprenticeships are well organised and effective but the share of youth who participate is very small and made up mostly of high-school graduates. In some of these areas, examples of good practice exist internationally as well as at the state or district level.

Very low completion rates by OECD standards are also an issue at the tertiary level. Raising them is key to cope with the growing demand for tertiary graduates in the United States. Unfortunately, very few universities engage in co-operation with high schools to ensure that enrollees are better prepared for tertiary education and in many states tertiary funding is still based on students' intake and not linked with credits earned or graduation rates. Besides, low-income youth and youth of ethnic origin are under-represented in post-secondary education. To increase their enrolment rate, a substantial rise in funds available for college financial aid and a simplification of the application procedure have been recently approved.

CHAPTER 3

REMOVING DEMAND-SIDE BARRIERS

Labour demand conditions are an important determinant of youth labour market performance. Across OECD countries, the youth employment rate is more sensitive to the business cycle than that of adults. In addition, as new entrants to the labour market, youth are more likely to be affected by institutional arrangements that have an impact on labour demand.

This chapter will look at these potential demand-side barriers in the United States. Section 1 examines the responsiveness of youth employment rates to demand conditions. Section 2 presents the views of United States employers on youth's preparedness for labour market entry. Sections 3 and 4 discuss whether minimum wages, labour costs and employment protection legislation represent significant barriers to youth labour market entry.

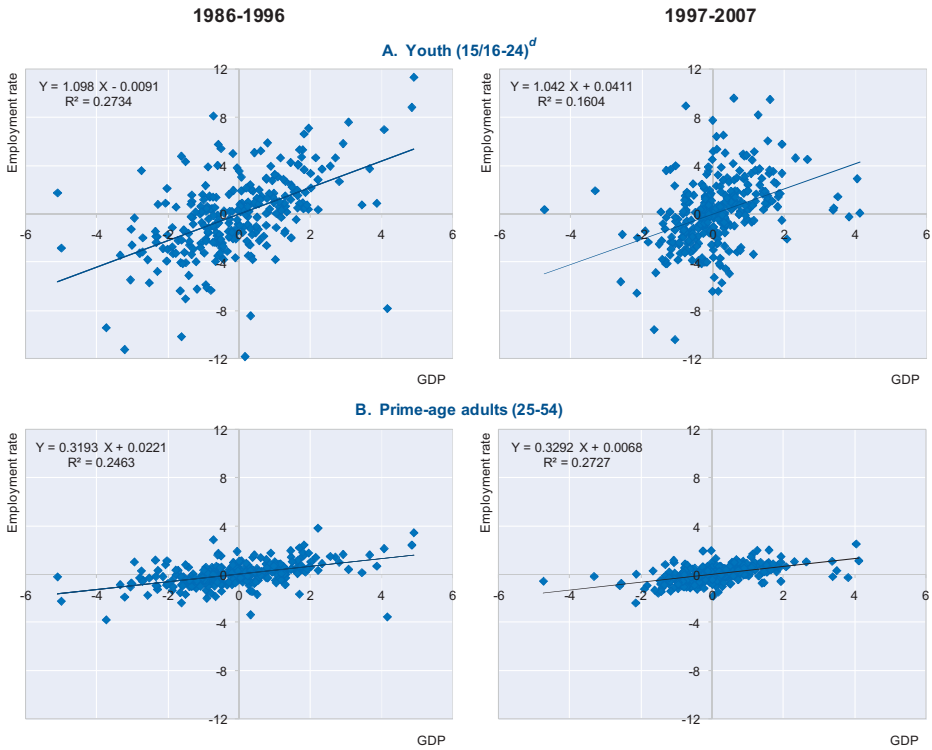
1. Economic growth and youth employment

GDP growth is a key determinant of labour market performance and there is evidence that youth employment tends to be more sensitive to changes in the cycle than adult employment (Figure 3.1).

Figure 3.2 shows deviations of employment rates from their long-term trend in relation to recession episodes in the United States and in Japan, Spain and the United Kingdom. The position of youth appears to deteriorate much more than that of adults during cyclical downturns. Among the countries shown, the largest elasticity of youth employment rates to the business cycle is observed in Spain and the smallest in Japan, while the United States stands about half way between the two. Over time, the responsiveness of youth employment rates in the United States has remained fairly constant while it appears to have declined in Spain and in the United Kingdom and increased slightly in Japan.

Figure 3.1. **Youth employment rates and GDP,[a] 1986-96 and 1997-2007**

Percentage deviation[b] of employment rates and GDP from their respective trends[c]



a) The sample includes the following countries: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, the United Kingdom and the United States.

b) Each point in the chart represents a country-year observation of the percentage deviation of the employment rate and GDP from their respective trends.

c) The trends have been established through a Hodrick-Prescott filter imposing identical smoothing factors for employment rates and GDP in all countries.

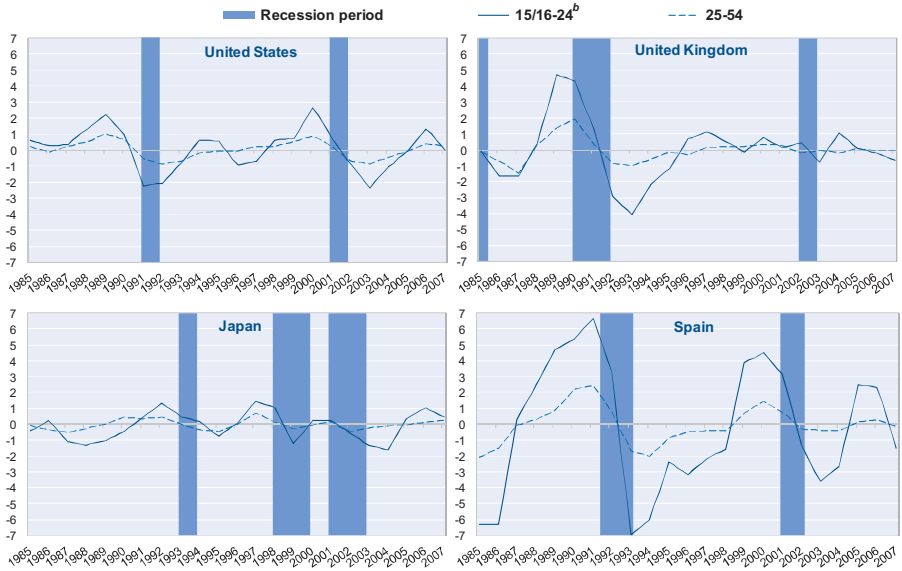
d) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States, and 15-24 for all other countries.

Source: OECD National Accounts database for GDP, and *OECD Labour Force Statistics database* for employment rates.

Figure 3.2 also shows that youth employment rates tend to respond to GDP fluctuations with a lag. In the context of the early 2000s slowdown, youth employment rates in the United States, Japan and Spain bottomed out – relative to their long-term trend – several quarters after the end of the recessionary spell.

Figure 3.2. **Youth and adult employment rates and economic cycles, United States, United Kingdom, Japan and Spain, 1985-2007**

Percentage deviation of employment rates from their respective trends[a]



a) The trends have been established through a Hodrick-Prescott filter imposing identical smoothing factors for youth and adult employment rates.

b) Youth aged 16-24 for Spain, the United Kingdom and the United States, and 15-24 for Japan.

Source: OECD National Accounts database for recession periods, and *OECD Labour Force Statistics database* for employment rates.

These findings are backed by the significant deterioration in the position of youth on the labour market over the two years to September 2009. In that month, the youth unemployment rate reached 18%, up from just 11% in September 2007. Also, the unemployment rate of young adults attained 15% from just 9% two years earlier. However, the worsening was most striking for teenagers whose unemployment rate rose from 16% to 26%, the highest rate ever recorded since record started after World War II. Employment rates also declined to 27% for teenagers and 62% for young adults in September 2009, and the fall was particularly marked for teenagers of Hispanic origin.

Current OECD growth projections for the United States suggest that the youth employment rate could fall further over the coming months. In 2009, on average, the youth employment rate is projected to fall by 4 percentage points below its 2008 level compared with a 3-percentage-point decline in

the employment rate of prime-age adults. The worsening is projected to continue into 2010 (Table 3.1). However, it should be stressed that the current GDP growth projections are subject to significant uncertainty with the balance of risks on the upside for 2010, hence these figures should be taken as only tentative.

Table 3.1. **Employment-rate projections[a] by age group, United States, 2009-10**

Percentages

Year/ GDP-growth projections *(in parenthesis)*	Employment rate			
	16-24	16-19	20-24	25-54
2007	53.1	34.8	68.4	79.9
2008	51.2	32.6	66.8	79.1
2009 *(-2.8%)*	**47.6**	**28.6**	**63.1**	**76.1**
2010 *(+ 0.9%)*	**46.1**	**26.0**	**61.5**	**75.3**

a) The projections are derived as follows: *i)* the employment-rate trends have been established through a Hodrick-Prescott filter imposing identical smoothing factors for both series; *ii)* the elasticity of the employment rate to the output gap is calculated by regressing the deviation of the employment rate from its trend on the output gap; *iii)* the employment-rate trend projection for 2008 and 2009 is obtained using double exponential smoothing; and *iv)* the estimated elasticity is applied to OECD output-gap projections to obtain the forecast employment-rate deviation from its trend which is then summed to the trend employment rate to obtain the employment-rate projection shown in the table. This procedure is carried out separately for each age group.

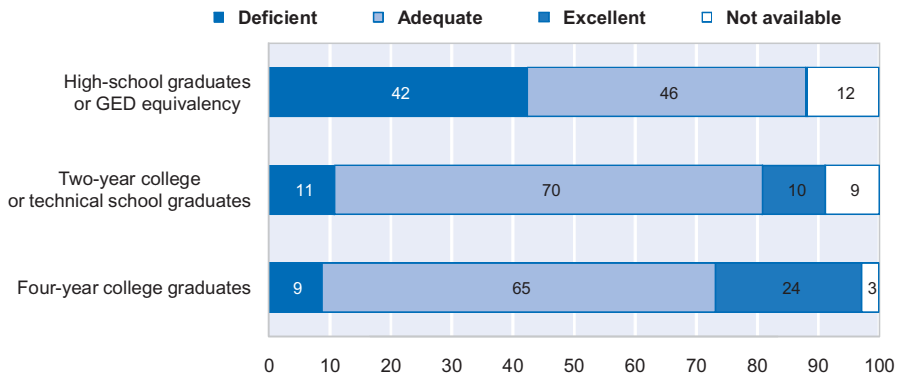
Source: OECD calculations based on the OECD (2009), *Economic Outlook*, No. 85, and the Current Population Survey.

2. Employers' perspectives on the readiness to work of new labour market entrants

A survey in 2006 looked at employers' assessments of the readiness of new entrants in the labour market (The Conference Board, 2006). Over 40% of employers rated new entrants with a high-school diploma as *deficient* in their overall preparedness for the entry-level jobs they typically fill (Figure 3.3). Almost no one rated them as *excellent* (just 0.2%). On the other hand, the majority of employers rated the overall preparation of two-year and four-year college graduates as *adequate* – 70% and 65%, respectively – for the entry-level jobs they fill. About 10% reported that two-year college graduates were *excellent* in terms of their preparedness and this share rose to 24% for four-year college graduates.

Figure 3.3. **Employers overall assessment of the preparedness of new entrants to the labour market, United States, 2006**

Percentage of employers ranking youth in each category of preparedness[a]



a) *Not applicable* was selected when the company did not hire in selected category.

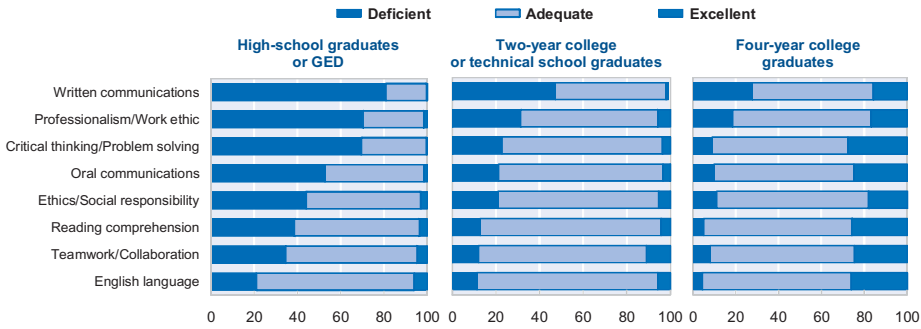
Source: The Conference Board (2006).

In addition to this overall assessment, the survey asked employers to rate skills in terms of their importance for new labour market entrants[43] and then to evaluate youth in each education category as *deficient*, *adequate* or *excellent* in the skills that emerged as very important. Most employers rated high-school graduates as *adequate* in the key basic knowledge skills of reading comprehension and English language. On the other hand, most employers found high-school graduates *deficient* in four of the six applied skills considered very important for entry-level jobs (Figure 3.4). The evaluation of employers was much rosier for college graduates – both from two-year and four-year courses – whose preparedness was judged *adequate* or *excellent* by the majority in all the key skills. However, written communications and professionalism remained sore points, even for the most qualified. Finally, only among four-year college graduates is the share of employers rating preparedness as *excellent* of any significance.

43. It is noteworthy that *applied* skills – presumably learnt through work experience – came much higher in the ranking than *basic knowledge* skills – more likely to be learnt in school or in tertiary institutions. This was the case for all three education levels.

Figure 3.4. **New labour market entrants' preparedness in key[a] skills, United States, 2006**

Percentage of employers ranking youth in each category of preparedness



a) The basic knowledge and applied skills presented in the figure rank among the top nine by the share of employers reporting they are *very important* for new labour market entrants. The ranking is done separately by level of education, thus the skills do not rank the same across the three groups.

Source: The Conference Board (2006).

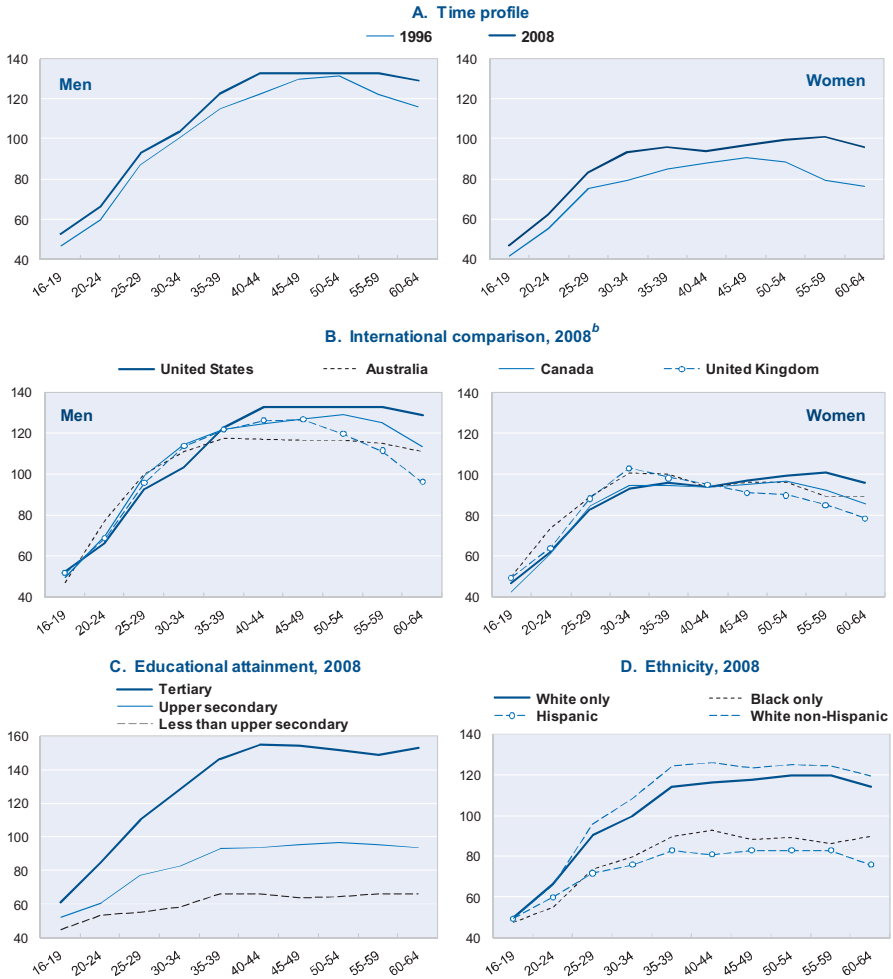
3. Wages and labour costs

A. Youth wages relative to median wages rose only slightly over the past decade

In 2008, on average, the median wage of 16-19-year-old men in the United States was only half of the median wage of all working-age employees (Figure 3.5). Median hourly wages rose steeply with age until male workers reached their mid-40s and stabilised afterwards. Women's wages started lower, rose less steeply and flattened out in their 30s. Between 1996 and 2008, relative youth wages increased although the shift was less marked than for prime-age women and older workers. Figure 3.5 also presents the relative wage profiles of men and women in selected OECD countries. In 2008, young men and women in their 20s to early 30s in the United States earned lower relative wages than in the United Kingdom, Australia and Canada. However, this cross-country difference may be partly due to the fact that data on wages in the United States exclude supervisory and managerial workers.

Figure 3.5. **Median wages of full-time workers by age and gender, United States[a] and selected OECD countries, 1996 and 2008**

Percentage of full-time median wages



a) Wages in the United States exclude supervisory and managerial workers.
b) For Australia, Canada and the United Kingdom, data refer to 2006.

Source: OECD Earnings Distribution database.

Wage profiles by education follow the expected pattern. In 2008, the median wage of 20-24-year-old youth holding a tertiary qualification was 40% higher than that of their counterparts with only an upper-secondary qualification and 60% higher than youth with no qualifications. In addition,

the earnings advantage of having higher qualifications rose significantly with age to reach its maximum for individuals in their mid-40s. Marked differences in median wages are also visible across ethnicity. In 2008, the median wages of Black youth and youth of Hispanic origin were 25% and 36% lower than those of their White non-Hispanic counterparts, respectively. As for educational attainment, differences in median wages across ethnicity rose with age.

Overall, relative wage profiles show that entry wages are unlikely to represent a barrier to youth employment in the United States. On the contrary, they suggest that low pay – defined as earning less than two-thirds of the median wage – is a key feature of youth entry jobs. In 2007, about 80% of 16-19-year-old youth not enrolled in education were low paid on this definition. In this age group, 63% were still in low-paid employment one year later, and about 15% had left employment and earned no wage at all (Figure 3.6). The incidence of low pay decreased with age, affecting just 55% of 20-24-year-old youth and just over 20% of prime-age adults. As age increased, low-paid workers were more likely to exit to a higher-paid job and less likely to leave employment.

Differences across gender, qualifications and ethnicity in the incidence and dynamics of low pay were marked in 2007. Young women were more likely to be in low-paid employment than young men and less likely to be in higher pay one year later. Low pay affected over 77% of 16-24-year olds with no qualifications compared with 44% of youth with tertiary qualifications. In addition, the exit rate to higher pay was just 25% among youth with no qualification compared with almost 40% among tertiary graduates. Finally, only 18% of Black youth had exited low pay to higher-paid employment one year later, and 33% had left employment.

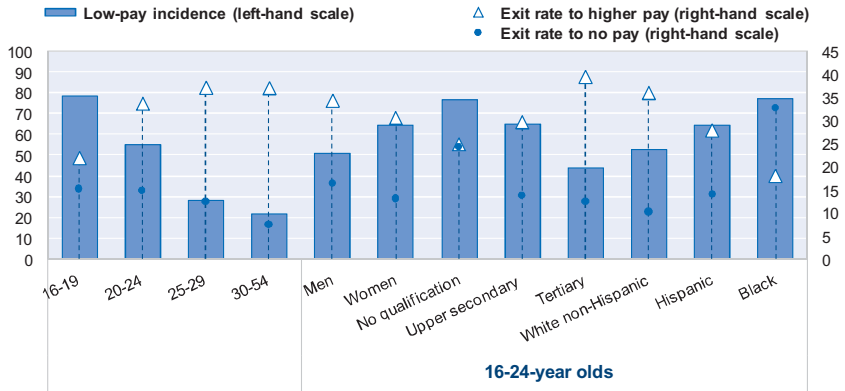
B. The minimum wage rate is relatively low and many youth earn more

The Fair Labor Standards Act (FLSA) of 2007 included a significant increase in the federal minimum wage[44] to be enacted in three steps. From its level of just USD 5.15 per hour, the minimum wage rose to USD 5.85 in July 2007, to USD 6.55 in July 2008 and, finally, to USD 7.25 in July 2009. Although most employees are covered by the provisions included in the Act, there are some exceptions. Notably, youth under 20 years of age may be paid a minimum wage of not less than USD 4.25 per hour during the first 90 consecutive calendar days of work with a new employer. Employers may not displace any employee to hire someone at the youth minimum wage.

44. The federal minimum wage was first introduced in the United States in the late 1930s.

Figure 3.6. **Low-pay[a] incidence and yearly exit rates,[b] United States,[c] 2007-08**

Percentage of employed youth not enrolled in education in each group



a) Workers are considered to be in low-paid employment if they work at least 30 hours per week and receive an hourly wage of less than two-thirds of the median adult wage.

b) The *exit rate to higher pay* is defined as the share of low-paid youth in 2007 who earn more than two-thirds of the median adult wage one year later; the *exit rate to no pay* is defined as the share of low-paid youth in 2007 who are not employed one year later.

c) Wages in the United States exclude supervisory and managerial workers.

Source: OECD calculations based on the rotating panel of the Current Population Survey, 2007-08.

The Act also allows the employment of youth at wage rates below the statutory minimum wage if they are: *i)* student learners such as vocational education students; or *ii)* full-time students working in retail or service establishments, agriculture or higher education institutions. In addition, occasional babysitters and newspaper deliverers – jobs very often performed by youth/students – are excluded from coverage.

State laws may also include separate provisions on minimum wages. When both the FLSA and state law have provisions, the law setting the highest standards must be observed. In 2009, 13 States and the District of Columbia set minimum wage rates higher than the federal rate, down from about half in 2008 as a result of the significant increase in the federal rate. The highest rates, at or exceeding USD 8 per hour, were observed in California, Connecticut, the District of Columbia, Illinois, Massachusetts, Oregon, Vermont and Washington. In 2009, Illinois was the only state to have a binding[45] sub-minimum wage for youth set at USD 0.50 below the adult rate, equivalent to USD 7.50.

45. Michigan law allows employers to pay 16-17-year olds 85% of the hourly minimum wage rate. However, in 2009, this was equivalent to USD 6.29 per hour, thus not binding because it was below the national minimum of USD 7.25 per hour based on age only.

Normalised by the median wage, the federal minimum wage in the United States is the second lowest across OECD countries after Mexico. In 2007, the latest year for which median wages are available for international comparisons, the ratio of the minimum to median wage in the United States was just 0.34 compared with 0.45 in the OECD on average and with about 0.6 in France and New Zealand (Table 3.2).[46] The minimum to median ratio in the United States was also low when compared with sub-minimum youth rates in countries where these exist: 17-year olds on the adult minimum wage earn less relative to median earnings than 17-year olds in OECD countries with sub-minimum youth wages. In addition, the minimum wage has fallen in real terms in the United States over time. Despite the recent increases, in 2009 the real minimum wage was 17% lower than in 1978.

Although some states have significantly higher minimum to median wage ratios than the federal level, the highest ratios are only just near the OECD average. In 2007, the ratio attained 0.46 in Oregon and 0.43 in Vermont (Figure 3.7). In addition, in only 14 of the 50 states did the ratio of the minimum to the median wage exceed 0.4. On the other hand, seven states had a minimum to median ratio below the federal level. In Illinois, the sub-minimum wage for youth translated in a ratio of 0.39.

In 2007, 16.4% of 16-18-year olds earned the minimum wage or less[47] in the United States (Table 3.2) compared with just over 3% among all employees, but this group is likely to include some youth combining work and study.[48] The incidence of minimum-wage earners declined with age. Young women were more likely to earn the minimum wage than young men and low-skilled workers were 4 percentage points more likely to earn the minimum wage than their counterparts with an upper-secondary qualification.[49] It is not easy to compare these figures across countries as data on the share of youth earning the minimum wage are rarely available. The share of 16-24-year olds earning the minimum wage in the United States is significantly smaller than the corresponding share in the Netherlands (15%), in France (34%) and in New Zealand (25%).[50]

46. In July 2008, following the second planned rise in the federal minimum wage, the minimum to median ratio in the United States reached 0.36.

47. This is based on the number of individual earning the minimum-wage rate applicable in their state – *i.e.* the highest between the federal rate and the state rate.

48. In the United States, about 21% of minimum-wage jobs are in eating and drinking places and about 9% of minimum-wage earners are cashiers.

49. Data by skills refer to the entire population. Sample size does not allow to obtain estimates by age group and skill level.

50. In New Zealand, the elimination of the sub-minimum wage for 16-17-year olds in 2008 is expected to have affected about half of youth in this age group. In addition, about 27% of 18-19-year olds and 13% of 20-24-year olds earn the adult minimum wage.

Table 3.2. **Minimum wages (MW) for adults and youth in OECD countries, 2007[a]**

Percentages

Numerator / Denominator	Adult MW[b] / Median wage	MW at 17 / Adult MW[b]	MW at 17 / Median wage	MW at 18 / Median wage	MW at 20 / Median wage
Australia[c]	0.54	–	–	–	–
Belgium[d]	0.53	0.76	0.40	0.44	0.50
Canada	0.41	–	–	–	–
Czech Republic[e]	0.38	0.80	0.31	0.31	0.34
Spain	0.39	–	–	–	–
France[f]	0.63	0.90	0.56	0.56	0.63
Greece[g]	0.51	–	–	–	–
Hungary	0.46	–	–	–	–
Ireland[h]	0.52	0.70	0.36	0.52	0.52
Japan	0.34	–	–	–	–
Korea	0.37	–	–	–	–
Luxembourg[i]	0.51	0.80	0.40	0.51	0.51
Mexico	0.20	–	–	–	–
Netherlands[j]	0.43	0.40	0.17	0.20	0.27
New Zealand[k]	0.59	0.80	0.47	0.59	0.59
Poland[l]	0.41	–	–	–	–
Portugal[m]	0.48	0.75	0.36	0.48	0.48
Slovak Republic[n]	0.49	0.75	0.36	0.49	0.49
Turkey	0.36	–	–	–	–
United Kingdom[o]	0.48	0.62	0.30	0.40	0.40
United States	**0.34**	**–**	**–**	**–**	**–**
OECD[p]	**0.45 (0.50)**	**0.73**	**0.37**	**0.45**	**0.47**

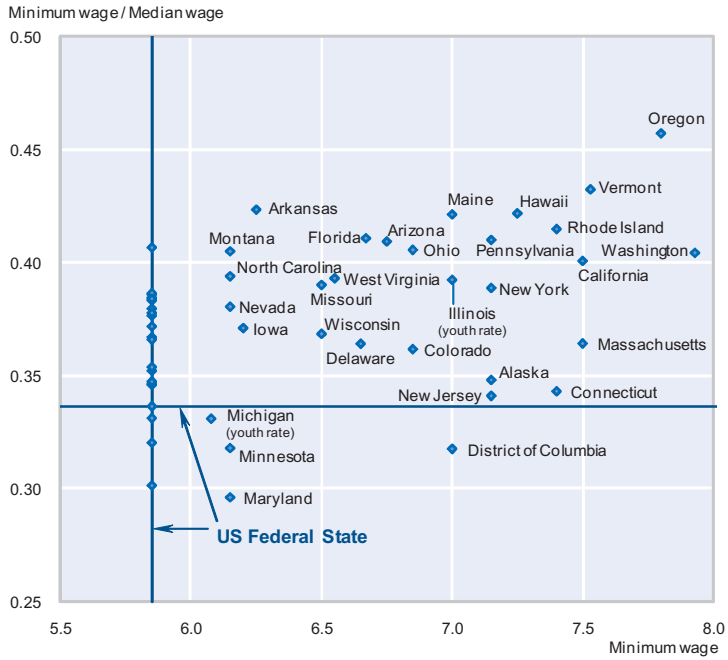
– Not applicable.

a) Data for Turkey refer to 2006.
b) Full minimum wage rate.
c) Youth are entitled to a reduced MW to be set in collective agreements.
d) Youth get an amount ranging from 70% of the adult MW at 16 to 94% at 20.
e) A reduced MW applies for workers under the age of 19 (80%) and for workers aged 19-21 with less than six-months job tenure (90%).
f) Youth aged 17 with less than six-months experience receive 90% of the adult MW and youth aged 16 or younger receive 80% of the adult MW.
g) The minimum-wage rate applicable to single blue-collar workers with no work experience is used in these calculations. Higher rates apply based on work experience and marital and professional status.
h) Sub-MW applies to youth younger than 18.
i) Youth aged 15 and 16 are entitled to 75% of adult MW and youth aged 17 are entitled to 80% of the adult rate.
j) Youth are entitled to a reduced MW, varying from 30% for 15-year olds to 85% for 22-year olds.
k) Sub-MW applied to youth between 16 and 18 years of age. Starting 1 April 2008, the youth sub-MW was abolished and the adult rate currently applies to all workers aged 16 or older.
l) There is no sub-MW for youth but school-leavers are entitled to 80% of the adult MW for the first 12 months in their first job held and 90% over the second year. But no age limit is set by law.
m) Sub-MW applies to youth up to 17.
n) Youth between 16 and 18 are entitled to 75% of the adult MW and youth under 16 to 50% (the latter is not used in practice as the minimum school-leaving age has been raised to 16, as a result 75% is used in the calculations).
o) Sub-MW applies to youth under 22. Two different rates apply: a development rate for youth aged 18-21 and an additional sub-minimum for youth aged 16-17.
p) Unweighted average. Average adult MW/median rate for countries with a sub-minimum for youth in parenthesis.

Source: OECD Minimum Wages database.

Figure 3.7. **Minimum to median wage ratios by state, United States, 2007**

Ratio of applicable minimum wage in each state to the state median wage[a]



a) The applicable minimum wage is the highest between the federal and state rates.

Source: Department of Labor, Employment Standards Administration and Current Population Survey.

In addition to a relatively low incidence of minimum-wage employment among youth, young people in the United States appear to leave minimum-wage jobs quite rapidly. Within a year, the earnings of 75% of 19-21-year olds and over 78% of 22-24-year olds on the minimum wage in 2007 had risen enough to take them above the applicable minimum wage (Table 3.3). The one-year exit rate was smaller for 16-18-year olds, young women and the low-skilled.

Overall, while sub-minimum wages for youth may be justified in countries where the adult minimum wage is high[51] – the average ratio of

51. The balance of international empirical evidence suggests that too-high minimum wages have a negative impact on youth employment, especially if combined with high non-wage labour costs (*e.g.* OECD, 1998; Neumark and Wascher, 1998 and 1999; and Kramarz and Philippon, 2001). Too-high minimum wages may also have a negative effect on educational enrollment (Neumark and Wascher, 1995; Landon, 1997; Chaplin *et al.*, 2003; and Pacheco and Cruickshank, 2007). Empirical evidence on the effect of higher minimum wages on the provision of

minimum to median wage in countries with sub-minimum wages was about 0.5 in 2007 (Table 3.2) – this did not appear to be a concern in the United States at the level of the federal or state minima applicable in 2007 and the following years. Recent evidence suggests that even the most at-risk workers – low-skilled employees, both native and immigrants – were not negatively affected by increases in minimum wages that took place over the past decade (Orrenius and Zavodny, 2008). However, the substantial increases approved in 2007 and the recent proposals to index the minimum wage to inflation could affect the employment prospects of some youth, especially in the context of the current major economic slowdown. Even if median wages were to grow at the same rate as in the past five years, the ratio of minimum to median wage would rise to 0.4 in July 2009. This ratio would still be below the 0.45 applicable to adults in the OECD on average, but it would be well above the ratio of 0.37 applicable to 17-year olds in OECD countries with a sub-minimum wage for youth.

Table 3.3. **Incidence of minimum-wage earners and one-year exit rate, 2007-08**

Percentages

	Incidence of minimum-wage earners[a]	One-year exit rate[b]
All	**3.1**	**78.7**
16-18	16.4	71.6
19-21	7.5	74.5
22-24	4.3	78.0
25-29	2.7	75.0
30-54	2.0	83.1
Men (16-24)	5.8	83.1
Women (16-24)	8.1	64.6
Low skilled	11.2	71.3
Medium skilled	6.9	76.5

a) Share of employed youth earning the applicable minimum wage or less. The applicable minimum wage is the highest between the federal and state rate in each month used in the analysis. Most youth earning less of the minimum wage include youth in the Federal Labour Standard Act excluded categories such as tipped workers who can be paid less if average tips can take them to the applicable minimum.

b) Share of youth earning the applicable minimum wage of less in 2007 who earned more than the applicable minimum wage one year later.

Source: OECD calculations based on the rotating panel of the Current Population Survey, 2007-08.

on-the-job training is more mixed, with some authors finding statistically significant negative effects (Neumark and Nizalova, 2007) and others finding that minimum wages increase training provision (Arulampalam *et al.*, 2002).

C. The tax-wedge on low-wage earners is relatively low and has declined recently

In 2008, the tax wedge on earnings equivalent to 67% of the average wage was just 30% in the United States, 7 percentage points below the OECD average and 13 percentage points below the European average (Table 3.4). Because figures by age group are not available, this level of earnings for a single person without children is used as an approximation of the relative wage earned by a young worker. As is the case in all OECD countries, the tax wedge on average earnings was higher than that on low earnings, but the difference was smaller in the United States than in the OECD on average.

Table 3.4. **Tax wedge including employers' social security contributions in OECD countries, 2000 and 2008**

Percentages

	Tax wedge on low-wage earner[a]		Tax wedge on average earner[b]
	2000	2008	2008
Mexico	7.2	10.9	15.1
Korea	15.0	17.4	20.3
New Zealand	18.6	18.2	21.2
Ireland	18.1	16.0	22.9
Australia	25.4	21.9	26.9
Iceland	19.8	23.7	28.3
Switzerland	27.3	26.5	29.5
Japan	23.4	28.0	29.5
United States	**28.3**	**28.0**	**30.1**
Canada	27.8	26.6	31.3
United Kingdom	29.1	29.7	32.8
Luxembourg	31.5	29.6	35.9
Portugal	33.2	32.9	37.6
Norway	35.1	34.3	37.7
Spain	34.7	33.8	37.8
Slovak Republic	40.5	36.1	38.9
Poland	42.0	38.7	39.7
Turkey	39.1	37.6	39.7
Denmark	41.2	38.9	41.2
Greece	35.6	37.6	42.4
Czech Republic	41.4	40.0	43.4
Finland	43.0	38.3	43.5
Sweden	48.6	42.5	44.6
Netherlands	42.0	41.7	45.0
Italy	43.5	43.0	46.5
Austria	43.2	44.4	48.8
France	47.4	45.5	49.3
Germany	48.6	47.3	52.0
Hungary	51.4	46.7	54.1
Belgium	51.3	50.3	56.0
EU19[c]	**40.3**	**38.6**	**42.8**
OECD[c]	**34.4**	**33.5**	**37.4**

Countries are ranked by ascending tax wedge on average earner.

a) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning 67% of the average wage.

b) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning the average wage.

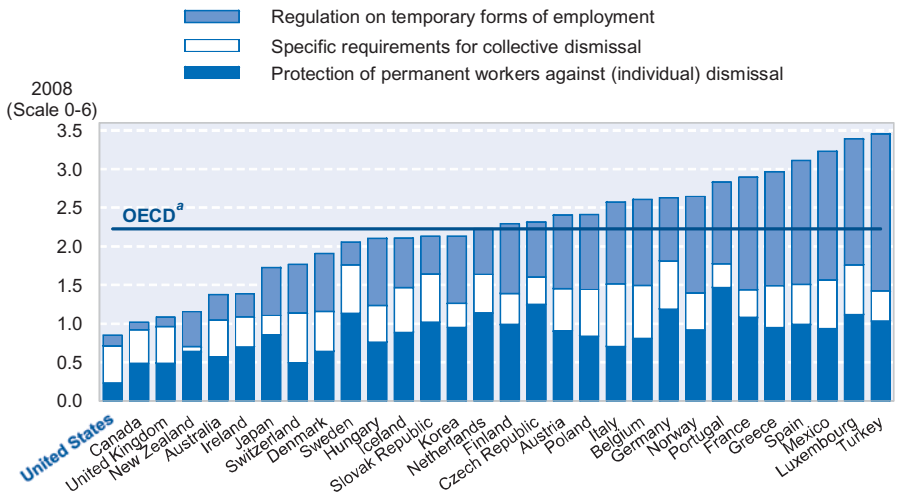
c) Unweighted averages.

Source: OECD Taxing Wages database.

4. Employment protection legislation is lax in the United States

Employment protection legislation (EPL) in the United States is the least strict in the OECD (Figure 3.8). As such, it is unlikely to constitute a barrier to the hiring of youth on permanent contracts.

Figure 3.8. **Overall strictness of employment protection legislation and its three main components, OECD countries, 2008**

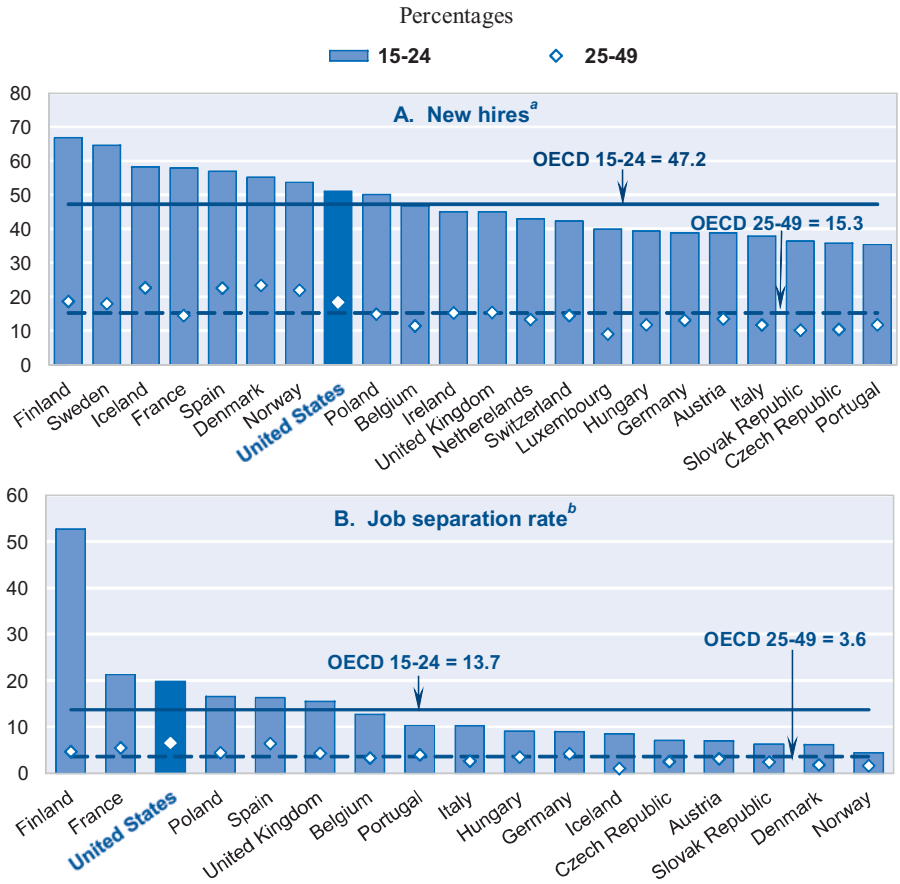


a) Unweighted average of indicators of the overall strictness of EPL for all OECD countries.

Source: Venn (2009), "Legislation, Collective Bargaining and Enforcement: Updating the OECD Employment Protection Indicators", OECD Social, Employment and Migration Working Paper, No. 89.

Strict employment protection legislation reduces both the hiring and firing behaviour of firms. Thus, it is likely to affect overall labour market dynamics and the hiring rate and mobility of new labour market entrants, such as youth. Figure 3.9 confirms that both the hiring and separation rates are higher for youth than for prime-age adults in all OECD countries. In the United States, the hiring rate of youth and their job separation rate are both above the OECD average.

Figure 3.9. **Youth labour market dynamics, United States and OECD European countries, 2007**



a) New hires refer to all workers at the time of the survey with tenure shorter than one year.
b) Data refer to all persons who are currently not employed but who had been working in a wage and salary job during the previous 12 months.

Source: OECD calculations based on the European Union Labour Force Survey 2007 for European countries; and the rotating panel of the Current Population Survey 2006-07 and March Supplement of the Current Population Survey 2007 for the United States.

5. Key points

The major weakening of labour demand caused by the current economic downturn significantly affected the labour market performance of youth in 2008 and the first three quarters of 2009. The high sensitivity of youth employment rates to economic conditions and current GDP growth

projections suggest that a further worsening is possible, although the balance of risks is on the upside for 2010.

Beyond these cyclical developments, structural demand-side barriers to the hiring of young people appear to be limited in the United States. Youth often enter the labour market on low-paid jobs, which is likely to make access to the labour market after leaving education easier, particularly for the least qualified. Moderate labour costs on low-wage earners may also encourage employers to hire young people. The strictness of employment protection legislation in the United States is the lowest in the OECD, thus it too is unlikely to represent a barrier to young people's access to employment.

In 2007, minimum wages were low by international standards, even when higher state-level minima were accounted for and, as a result, did not represent a major obstacle for the hiring of youth. However, the substantial increases that took place in 2008 and 2009 and the recent proposals to index the minimum wage to inflation could affect the employment prospects of teenagers, especially in the context of the current major economic slowdown.

On a negative note, employers appear to be dissatisfied with the preparation of high-school graduates, particularly in terms of their applied skills. This further underlines the need to improve the performance of secondary education and highlights the importance of working opportunities for teenage students. Such opportunities, which have declined lately, provide those applied skills that employers in the United States say they value highly.

CHAPTER 4

WORKFORCE DEVELOPMENT: REMEDIAL EDUCATION AND EMPLOYABILITY MEASURES

Youth who have disconnected from the education system and are not working or planning to return to training are at high risk of marginalisation. Some of these young people are homeless, have disabilities, have left foster care and/or are known to the justice system. As a result, efforts to create programmes that succeed in reconnecting these at-risk young people to education, the labour market and society more generally as early as possible are key.

In addition to this group, some young people do enter the labour market but become unemployed later in their career. Benefits and services available for these youth should ideally follow a "mutual obligations" principle by which youth must actively seek work in exchange for targeted action to help them find a job.

Sections 1 to 3 of this chapter outline the programmes available for disconnected youth in the United States, focusing on some of those that have been shown to work best. Section 4 reviews the benefits and services available to unemployed and disabled youth.

1. Counting disconnected youth in the United States

In the United States, experts have defined so-called "at-risk" or "disconnected" youth in a variety of ways. Some have concentrated on NEET youth (Sum *et al.*, 2003) or on *persistently* NEET youth (Besharov and Gardiner, 1999), others have extended the definition beyond NEET. Wald and Martinez (2003) identify disconnected youth as: *i)* high-school drop-outs who are unemployed or out of the labour force and are not being supported by a spouse or partner; *ii)* high-school graduates who have stopped looking for work; or *iii)* youth who are in prison, homeless, or have left foster care without having a job or being in school or without having a stable place to live. These youth were found to be more likely than others to

experience long-term joblessness and social isolation. When the study was conducted, approximately 2.8 million youth (8% of all youth aged 16-24) met this definition in the United States. According to Wald and Martinez, youth who were at greatest risk of disconnection by age 25 in the United States had the following demographic characteristics: 66% had less than a high-school diploma; 58% were male; 58% were Black or Hispanic; 30% were parents and 18% had a minor child in the household; 19% were in correctional facilities; 14% were persons with disabilities; 12% were foreign-born; and many had no family and had lived for long periods of time in foster care. As far as qualification level, gender and ethnic origin are concerned, this is in line with the key findings of Chapter 1 above.

For the purpose of legislation, the Department of Labor defines youth at risk as: youth with low educational attainment, jobless youth, minority-status youth, youth living in a poor community or in a poor household. The whole population is estimated to range from 3 million to 7.5 million youth.[52] On the other hand, the Department of Health and Human Services focuses on youth who are homeless and/or who suffer from substance abuse or mental health problems.

2. The role of the Department of Labor in helping disconnected youth: the Workforce Investment Act (WIA) formula grants

Multiple federal agencies play a role in providing funding and assistance to local programmes that serve disconnected youth in the United States. The Federal Youth Programs Survey developed by the White House Task Force for Disadvantaged Youth (White House, 2003) identified 339 programmes serving disconnected youth in 12 departments. Four agencies administer the largest programmes in terms of funding: the Department of Labor, the Department of Health and Human Services, the Department of Education and the Department of Justice (Table 4.1). However, the total amount spent on disconnected youth by these four departments in 2006 – USD 3.8 billion – was equivalent to just 0.03% of the country's GDP.

52. In the United States, there are: 4.9 million youth aged 16-24 who are neither in school nor working (DOL, 2008); 3.5 million high-school drop-outs aged 16-24 (DOL, 2008); 5 million 16-24-year-old minority youth who are either still in high school or who have not gone on to college (DOL, 2008); a rough estimate of 3 million 14-17-year olds who live in poor communities (Census Bureau, 2005); 5 million 18-24-year olds who are below the poverty line (Census Bureau, 2007); and 6.8 million youth aged 14-21 who meet the family income eligibility criteria for youth programmes funding by the Department of Labor. These categories are strongly overlapping.

Table 4.1. **Key federal grant programmes serving disconnected youth, United States, 2006**

Agency or office	Federal grant	Appropriated funds (millions of USD)	Share of total expenditure
Department of Labor		**2 612.4**	**69.0**
Office of the Secretary	Job Corps	*1 573.3*	*41.6*
Employment and Training Administration	WIA Youth Activities	*940.5*	*24.8*
Employment and Training Administration	YouthBuild	*49.5*	*1.3*
Employment and Training Administration	Youth Offender Grants	*49.1*	*1.3*
Employment and Training Administration	Youth Opportunity Grants (Funding ended in 2003)	–	–
Department of Health and Human Services		**242.9**	**6.4**
Children's Bureau	Chafee Foster Care Independence Program	*140.0*	*3.7*
Family and Youth Services Bureau	Runaway and Homeless Youth Program	*102.9*	*2.7*
Department of Education		**698.5**	**18.5**
Office of Vocational and Adult Education	Adult Education Basic Grants to States[a]	*564.0*	14.9
Office of Safe and Drug-Free Schools	Grants to States for Workplace and Community Transition Training for Incarcerated Youth	*22.8*	*0.6*
Office of Elementary and Secondary Education	Education for Homeless Children and Youth – Grants for States and Local Activities	*61.9*	*1.6*
Office of Elementary and Secondary Education	Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or at-Risk – Grants for States and Localities	*49.8*	*1.3*
Department of Justice		**231.3**	**6.1**
Office of Juvenile Justice and Delinquency Prevention	Developing, Testing, and Demonstrating Promising New Initiatives and Programs	*106.0*	*2.8*
Office of Juvenile Justice and Delinquency Prevention	State Formula Grants	*74.3*	*2.0*
Office of Juvenile Justice and Delinquency Prevention	Juvenile Accountability Block Grant	*46.4*	*1.2*
Office of Juvenile Justice and Delinquency Prevention	Community Prevention Block Grants	*4.6*	*0.1*
Total		**3 785.1**	**100.0**

– Not applicable.

a) The Adult Education Basic Grants to states serve adults and out-of-school youth aged 16 and older.

Source: GAO (2008).

In 2006, the Department of Labor administered over USD 2.5 billion for programmes serving disconnected youth, equivalent to almost 70% of the total federal funds destined to this group and to 15% of the country's total expenditure on active labour market policies. In comparison, the Department of Education only administered 18.5% of funds aimed at helping disconnected youth, most of which was accounted for by the Adult Education Basic Grants serving adults and out-of-school youth aged 16 or older. The limited role played by the Department of Education in addressing the challenges faced by at-risk youth has important implications on the amount of funding available, particularly for remedial education programmes, and on the extent of institutional co-operation to help disconnected youth return to learning or find work.

In early 2009, the Department of Labor announced it was devoting USD 1.25 billion of its share of Recovery Act funding to programmes targeted on disconnected youth. However, the funding increase was only temporary and yearly appropriations – including for 2009 – remained unchanged.

A. WIA provides a fourth of total funding for disconnected youth but serves only one in twenty

Youth activities under WIA account for approximately 25% of the federal expenditure on programmes for disconnected youth. In addition to activities focused exclusively on youth, the Act – passed in 1998 – funds training and employment-related services for adults and dislocated workers. In programme year (PY) 2006,[53] just over 260 000 youth aged 14-24 exited WIA programmes (Table 4.2), about 0.6% of the corresponding youth population. This proportion was rather stable over the period 2002-06.

Table 4.2. **Youth aged 14-24 exiting Workforce Investment Act programmes, United States, 2000-06**[a]

Numbers and percentages

	Younger youth 14-18	Older youth 19-21	Youth in adults' programme 14-24[b]	Youth in dislocated workers' programme 14-24	Total youth served by WIA 14-24	Percentage of population aged 14-24
2000	71 639	10 127	15 582	4 829	102 178	0.24
2001	109 661	22 938	43 120	9 208	184 927	0.43
2002	136 708	30 589	68 642	13 888	249 826	0.57
2003	145 506	31 420	62 294	14 573	253 793	0.57
2004	129 167	31 698	63 910	13 512	238 288	0.53
2005	122 108	33 069	68 719	27 680	251 576	0.55
2006	88 424	28 001	112 413	31 310	260 147	0.57

a) From programme year 2000 to programme year 2006. A programme year starts on 1 July and ends on 30 June of the following year.

b) The rise in exit levels from adult and dislocated workers' programmes in recent years is partly due to double-counting of enrollees as individuals are now encouraged to enroll in more than one programme at a time.

Source: Department of Labor, Workforce Investment Act Standard Record Data.

53. A programme year starts on 1 July and ends on 30 June of the following year.

In PY 2006, about 116 000 youth aged 14-21[54] exited programmes targeted exclusively on young people, down from close to 180 000 in 2003 because of funding cuts. In fact, yearly appropriations for WIA youth activities have declined sharply over the past few years – from USD 1.13 billion in 2001 to USD 920 million in 2008 – translating in a fall in the number of youth served under the youth programmes. Although 112 000 young people exited adult programmes in PY 2006 and another 30 000 are counted as exiting dislocated workers programmes, these figures include significant double-counting of youth enrolled in (and exiting) more than one programme at a time.[55]

The number of youth served by WIA is small relative to the number of youth in need of support, although the target population is hard to quantify with precision. Restricting attention to disconnected youth, only an estimated 4.4%[56] are served under WIA youth programmes for disconnected youth.

In 2009, WIA youth programmes benefited from an additional USD 1.2 billion in Recovery Act funding. Assuming unchanged expenditure per participant, this could translate in 150 000 more youth served between PY 2008 and PY 2009. The Department of Labor also devoted additional resources to WIA adult programmes – USD 500 million – and to WIA dislocated workers programmes – USD 1.25 billion. Assuming constant expenditure per participant *and* an unchanged share of youth in these two programmes, the total number of youth served could rise by another 94 000.

54. This is the sum of younger and older youths exiting WIA in 2006. Although many youth programmes under WIA serve the entire 14-21 age group, performance is measured differently for younger youth (14-18) and older youth (19-21). WIA statistics reflect this distinction and are provided for the two groups separately.

55. States have recently moved to a more integrated service-delivery model to help ensure that every individual entitled to participate in a WIA adult programme has access to the full array of services available through a one-stop delivery system. Because in this model individuals are encouraged to enrol in more than one programme, the number of participants served and the total number of exiters has grown substantially for WIA adult programmes. If this double-counting were corrected, the number of youth exiters in adult programmes in PY 2006 may be close to or lower than that of PY 2005. In fact, the share of youth in all exits from adult programmes fell from 28% in PY 2005 to 22% in PY 2006. Similar delivery changes have applied to WIA dislocated worker programmes, causing an analogous rise in the number of co-enrolees hence in the exiters figures.

56. This is obtained by dividing the total number of disconnected youth participants in WIA programmes – about 231 000 in PY 2006 – by the estimated number of disconnected youth – the average between the lower and upper bounds of 3 million and 7.5 million respectively.

As a result, thanks to Recovery Act funds, about twice as many youth could be served by WIA programmes in 2009 as in other years. These figures should be taken as only suggestive, particularly because the age eligibility for WIA youth services funded by the Recovery Act was raised from 21 to 24 and this may affect the distribution of young people across in other WIA programmes.

B. WIA youth funds are allocated through state formula grants

The goal of WIA-funded youth programmes is to better prepare low-income youth who face barriers in the labour market for post-secondary education and/or employment. Under the Act, formula grants are provided to states which in turn provide local areas with the resources needed to deliver a comprehensive array of youth services. Funds are allocated to states based on a formula that takes account of the number of unemployed and the number of disadvantaged youth in the state.[57]

At the local level, planning for the use of youth funds and the delivery of services to youth is governed by local Workforce Investment Boards (WIBs). A WIB must have a majority of members from the business community and is appointed by the chief elected official in the local workforce area. Each local board is required to establish a Youth Council whose members must include, among others, members of the local board with special interest or expertise in youth policy; representatives of youth service agencies, including juvenile justice and local law-enforcement agencies; parents of eligible youth; and young people, including former participants. The duties of the Youth Councils include developing the local plan for eligible youth and co-ordinating WIA-funded youth activities in the local area.

C. WIA youth programmes target youth aged 14-21 facing multiple challenges

The target population includes youth aged 14-21[58] who are low income and face one or more of the following barriers: deficient in basic literacy

57. The formula gives equal weight to three components: the state share of total unemployed in areas of substantial unemployment (ASU – areas with unemployment higher than 6.5%); the States share of excess unemployed (in excess of 4.5%) or of ASU excess, whichever is higher; and the state share of economically disadvantaged youth (16-21-year olds below the Office of Management and Budget poverty level or below 70% of the Lower Living Standard Income Level, whichever is higher).

58. Older youth (aged 19-21) are also eligible for services as adults under WIA and may be co-enrolled in both the youth and adult programmes.

skills; school drop-out; homeless, runaway or foster child; pregnant or parenting; offender; or requiring additional assistance to complete an educational programme or to secure and hold employment (including youth with a disability).

WIA also imposes a requirement that at least 30% of formula funds are targeted to out-of-school youth; no minimum must be spent on in-school youth.[59] Under prior law – the Job Training Partnership Act (JTPA) – most participants were in-school youth because the vast majority of the funding went to the Summer Jobs programme,[60] typically serving in-school youth (the much smaller year-round programme did require that 50% of the youth be out of school). Thus, the 30% spending requirement in WIA, coupled with the elimination of targeted funding for the Summer Jobs programme, has resulted in a significant shift in groups of youth who are served and the services they receive.

Although the accent on remedial interventions for out-of-school youth is well placed, preventive measures are also important and many analysts have pointed to the role that the Summer Jobs programme played in achieving positive post-education labour market outcomes. Indeed, Sum *et al.* (2008) went as far as suggesting that the elimination of the Summer Jobs programme was the main factor behind the fall in teenage employment rates over the past few years (see Chapter 1). CLASP (2003) also argued that the lack of targeted funds for the Summer Jobs programme contributed to a sharp reduction in the availability of summer jobs for at-risk youth. The report called for new funds to be made available for Summer Jobs on the basis that the programme has the potential to provide important opportunities for youth and to prevent at-risk behaviour during school holidays. In this regard, the Department of Labor emphasised the importance of creating summer employment opportunities with the additional funds for WIA youth services provided by the Recovery Act.

In PY 2006, among both younger and older youths, the majority of participants had serious literacy issues and/or needed additional assistance (Table 4.3). Close to one in five younger youth and two in five older youth had dropped-out of high school. Among older youth, 30% were pregnant or parenting and 23% were single parents, many more than in the

59. Youth who are enrolled in any school or alternative education program at the time of registration are not included in the definition of out-of-school youth.

60. This summer youth employment and training programme targeted economically disadvantaged youngsters aged 16 to 21. Services included a full range of remedial education, classroom and on-the-job training, and some work experience for which the young people were paid a minimum wage.

younger group. On the other hand, in the younger group, there were more youth with limited English proficiency or who had spent time in foster care. The programmes also counted relatively large shares of disabled youth and ex-offenders among participants.

Table 4.3. **Characteristics of youth exiting WIA youth programmes, United States, 2006**[a]

Percentages

	Younger youth 14-18	Older youth 19-21
Selected demographics		
Female	53.8	61.1
Individual with a disability	17.5	10.2
Hispanic	30.0	22.9
Black or African American	35.2	38.2
White, non-Hispanic	29.3	34.1
Schooling		
Attending high school	72.7	6.9
High-school drop-out	18.0	37.1
High-school graduate	5.8	46.8
Selected socio-economic characteristics		
Employed at registration	6.6	16.7
Homeless or runaway	2.0	4.1
Offender	8.2	11.4
Pregnant or parenting youth	6.7	31.2
Basic literacy skill deficiency	63.7	54.2
Ever in foster care	5.1	1.8
Youth in need of additional assistance	56.4	56.1
Limited English-language proficiency	9.7	3.6
Single parent	4.6	23.0
Low income	94.6	95.0
Unemployment Insurance claimant	1.7	3.5
Unemployment Insurance exhaustee	0.6	0.9
Public assistance recipient	22.2	23.6

a) Year running from 1 July 2006 to 30 June 2007.

Source: Department of Labor, Workforce Investment Act Standard Record Data.

D. Programmes vary widely but WIA requires some basic services to be provided

To qualify for funding, local areas are required to assess each young participant's basic skills, occupational skills, prior work experience, employability, interests and aptitudes, supportive service needs and developmental needs. Following the assessment, a service strategy must be established for each young person to serve as a pathway for training and employment. WIA also establishes a set of ten programme elements which must be available in each local area for use in a participant's strategy

including: education and training services leading to an upper secondary qualification; occupational skill training; work experience including summer employment or internships; comprehensive guidance and counselling; adult mentoring; and follow-up services. Two examples of innovative programmes receiving some WIA funding are presented in Box 4.1.

Box 4.1. **Two programmes partly funded under WIA formula grants**

A variety of programmes are funded, at least partly, through WIA. Beyond the minimum requirements for entitlement to WIA funding, programmes differ considerably in structure, additional funding sources (state, local and private funds), population served and type of services provided. Two programmes are described below.

The ***Improved Solutions for Urban Systems High School*** (ISUS) is a last-chance programme aiming to give 16-21-year-old school drop-outs in Dayton (Ohio) a second chance. Youth are referred to ISUS by parents, schools or courts – 80% of ISUS students are known to the juvenile justice system. The school does not turn down applicants because of past mistakes but has a zero tolerance policy on drugs and violence. ISUS is organised as a charter school and prepares students to earn a high-school diploma, credit towards an associate degree, industry-recognised certifications, job skills and work experience. Participating youth can select to study and practice one of four fields: construction, healthcare, manufacturing, and computer technology. Funding is provided by the Department of Education (USD 5 700 per student), the Department of Labor, local government, foundations and private donors. Students spend anything between one and four years – on average two years – at ISUS.

New Avenues for Youth is an organisation based in Portland helping homeless youth to take control of their lives, leave the streets and become stable adults. To achieve this, the organisation focuses on four key areas: early intervention and prevention, outreach and engagement, stabilisation and skill building. New Avenues offers counselling to youth at-risk of becoming disconnected from their families. It also engages in reaching out to youth who are homeless through a *street outreach* programme and a *day service centre* where the homeless can use showers and get hot meals, clothing and medical care and become familiar with the services New Avenues provides. Youth who engage with counsellors and are committed to change can have access to a *transitional living facility*. For those who lack qualifications, New Avenues runs an *alternative school* that provides remedial education leading to a GED qualification, re-entry into high school, college placement and preparation and college financial aid. Every year, 35 youth obtain their GED and 20 move on to attend college. Finally, New Avenues *career training programme*, PAVE, prepares homeless and at-risk youth for the world of work and equips them with the skills needed to secure and retain employment. The school provides youth with job-readiness classes, workplace internships and paid employment, while teaching them timeliness, professionalism, communication skills, conflict resolution, resume writing and interviewing. Every year PAVE places 150 youth into employment. In addition to WIA funding, significant resources are provided by corporate donors through their philanthropic foundations (IKEA, NIKE, Ben & Jerry).

In PY 2006, 62% of younger youth received education support compared with just 39% of older youth, reflecting the stronger emphasis put on employment outcomes for older youth (Table 4.4). In fact, over 70% of older youth received employment services compared with 56% of younger youth. Almost four in ten younger youth and one in ten older youth participated in summer jobs initiatives.

Table 4.4. **Services provided to youth exiting WIA youth programmes, United States, 2006**[a]

Percentages

	Younger youth 14-18	Older youth 19-21
Youth activities		
Educational achievement services	61.9	38.9
Employment services	56.2	72.9
Summer youth employment opportunities	37.3	11.2
Leadership development opportunities	33.8	28.3
Additional support for youth services	48.9	50.3
Occupation of training		
Managerial, professional and technical		31.6
Service occupations		33.9
Sales and clerical		16.7
Farming, fisheries, forestry, construction and extraction		3.8
Installation, maintenance, repair, production, transportation		14.0

a) Year running from 1 July 2006 to 30 June 2007.

Source: Department of Labor, Workforce Investment Act Standard Record Data.

Table 4.4 also shows the areas of occupational training for older youth exiting WIA youth programmes. In PY 2006, about a third of them trained in service occupations and another 30% trained in managerial, professional and technical occupations.

Programme managers, evaluators and government officials agree on a number of features that effective programmes tend to share: early intervention to tackle disengagement as soon as it appears; a strong mentoring component with adults as role-models for disconnected youth; comprehensive services dealing with education and job placement but also with personal support, health, housing and transportation issues; a focus on empowering youth; and constant follow-up after programme exit (see also GAO, 2008). Many of these elements coincide with those found to be key in studies of the effectiveness of Active Labour Market Policies for unemployed youth internationally (Martin and Grubb, 2001; Betcherman *et al.*, 2004; and Betcherman *et al.*, 2007).

Practitioners also agree that successful programmes tend to take time – it may take up to 18-20 months of intense help to ensure that youth are placed on a promising employment path. Good programmes also tend to be costly, although they all remain considerably cheaper than prison (each inmate costs approximately USD 80 000 per year) which is, in some cases, the most likely destination of targeted youth should they not participate in the programme.

E. The WIA performance evaluation system is undergoing fine-tuning

Under WIA, states are required to meet a set of age-specific performance measures. Four performance measures apply to older youth: the employment rate at exit; the employment retention rate six months after exit; the average earnings change in six months; and the credential rate. And three measures apply to younger youth: skill attainment;[61] diploma or equivalent attainment; and placement and retention in post-secondary education, advanced training, or employment. Customer satisfaction for all participating youth and employers is also recorded. States receive fiscal sanctions and bonuses based on the relationship of actual performance to expected levels of performance established through negotiation with the Department of Labor.

The Department of Labor publishes national values for the performance measures mentioned above. In PY 2007, all performance goals for older youth (19-21-year olds) were achieved and this was the case both for all participants on average and for out-of-school participants. As Figure 4.1 shows, 78% of 19-21-year-old participants were employed in the first quarter of exiting the programme, exceeding the negotiated goal of 76%. Of these, 85% were also employed in the third quarter after exit. Performance goals for 14-18-year olds were also exceeded: 74% of participants had obtained a high-school diploma or GED by the end of the first quarter after exit and 74% were in post-secondary education, training, an apprenticeship or employment in the third quarter after exit. However, only 55% of 14-18-year-old out-of-school participants were able to attain a diploma or equivalent by the first quarter after exiting the programme, more than 10 percentage points below the negotiated goal.[62] It is noteworthy that all

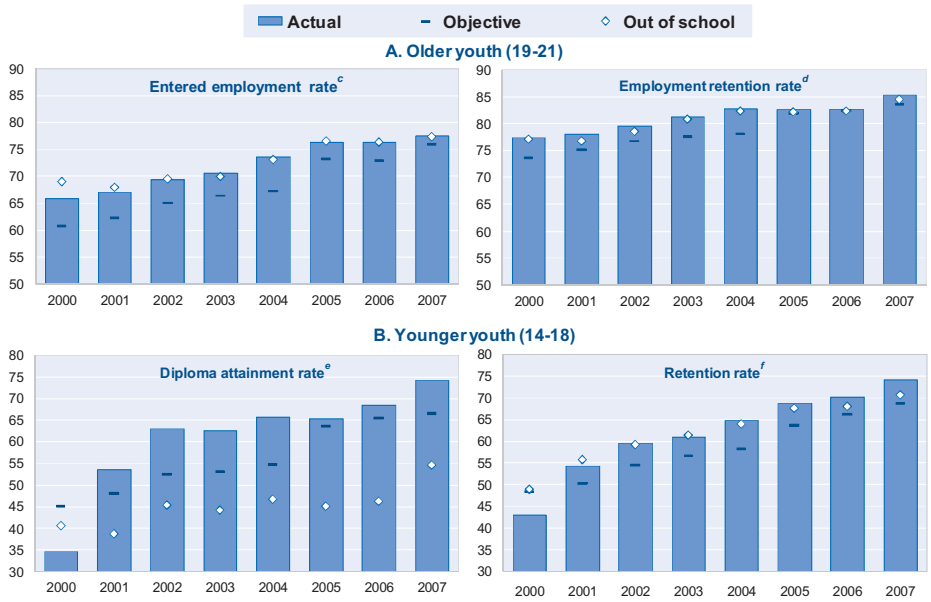
61. Skill-attainment measures apply to all youth who are assessed to be in need of basic skills, work-readiness skills and occupational skills. Attainment is measured as the total number of goals achieved divided by the total number of goals set.

62. The 14-18-year-old group is likely to include significantly fewer out-of-school youth than the older youth group given compulsory education requirements until age 17 in most states.

performance goals have been regularly raised over time. Nevertheless, the fact that they were consistently exceeded by both younger and older youths between 2000 and 2007 suggests that they were not binding.

Figure 4.1. **WIA selected performance measures for youth programmes, by age group,[a] 2000-06[b]**

Percentages



a) WIA performance measures differ by age group.

b) From programme year 2000 to programme year 2006. A programme year starts on 1 July and ends on 30 June of the following year.

c) Number of older youth participants who are employed in the first quarter after the exit quarter divided by the number of older youth participants who exit during the quarter.

d) Share of youth who entered employment in the first quarter after the exit quarter who were employed in the third quarter after the exit quarter.

e) Number of younger youth who attain secondary-school diploma or equivalent by the end of the first quarter after exit divided by the number of younger youth who exit during the quarter.

f) Number of younger youth found in post-secondary education or advanced training or employment or the military or qualified apprenticeships in the third quarter following exit divided by the number of younger youth who exit during the quarter (except those still in secondary education at exit).

Source: Department of Labor, Employment and Training Administration, WIA National Summary of Annual Performance Data.

Some improvements are being introduced to the performance evaluation process of WIA youth programmes. In fact, several bodies have expressed worries that current performance measures may discourage programme providers from serving the least-qualified youth. First, although WIA does not require that the performance goals be fulfilled within a year for all participating youth, some states and WIBs issue one-year contracts with local programmes, thus imposing that performance is measured after one-year programme participation (GAO, 2008). Such rules unintentionally discourage the programmes from working with youth with low or no qualifications who would require more time to achieve positive outcomes. The Department of Labor has taken steps to address this problem and is currently conducting training for WIBs to explain the importance of a longer-term investment in youth – through multiple-year contracts – in order to reach sustainable outcomes.

In addition, the Office of Management and Budget has recently issued a requirement for programmes across multiple agencies to report on three uniform evaluation criteria, applying to youth of all ages: gain in literacy and numeracy, attainment of a degree or certificate, and placement in employment, post-secondary education or advanced training/occupational skills training. The new performance measures are, in some ways, more stringent than the old age-specific ones. First, the definition of a "certificate" for the "attainment of a degree or certificate" is more stringent than the definition of a "credential" for the older youth credential rate. Second, in the new measures, youth who leave the programme when they are still in education are counted as not achieving to encourage providers to keep youth in the programme for longer. Because most participants to WIA youth programmes are younger, in-school youth, this change tends to depress performance rates relative to the old measures.[63] Until the new measures are

63. For instance, the diploma or equivalent attainment rate for younger youth excludes youth who are still enrolled in secondary school at exit while the attainment of a degree or certificate common measure includes these youth. Therefore, under the old measure, a service provider could enrol a 14-year-old in-school youth in WIA and let him/her exit a year later – still two or three years from obtaining a high-school diploma – without being rated negatively hit on the diploma or equivalent rate (assuming the youth is still in school at exit). However, under the new measure, this youth would be counted as achieving a negative outcome. In order to achieve a positive result on the attainment of a degree or certificate measure, a local area would need to keep the youth in the programme until he/she is within three quarters of obtaining a high-school diploma. Similarly, the older youth retention rate excludes youth still in secondary school at exit, while the placement in employment or education rate does not. As with the attainment of a degree or certificate rate, local areas may need to keep a younger youth in the programme for several years in order to achieve a success on the measure.

established through law, states are required to collect data for both sets of measures. However, 25 states have received waivers for the old measures and already publish the new measures only.

In PY 2007, goals and performance for all three new WIA measures were published for the first time. The picture emerging using the new measures was less rosy than the one drawn by the old measures: 62% of participants were placed in employment or education; 57% of participants attained a degree or a certificate; and just 30% of participants experienced literacy and numeracy gains.[64] As mentioned above, these less positive outcomes are partly due to the fact that the new measures are more stringent than the age-specific ones. In addition, the reporting states are not the same under the two sets of measures. All states reported on the common measures while only half of states continued to report age-specific measures in 2007.

One remaining shortcoming of the WIA performance evaluation system is that the evaluation process does not take local labour market conditions into account. An example of how this could be done is provided by the Star Rating system used to evaluate the performance of Job Network providers in Australia. In the system, the ratings are calculated using a regression model that looks at the number of jobs or outcomes that a site has achieved after controlling for the characteristics of its clients and the conditions of the local labour market (Australian Department for Employment and Workplace Relations, 2007).

F. The Shared Youth Vision plan could lead to a more efficient use of funds available for disconnected youth

A major challenge facing the WIA is the lack of sufficient federal funding from individual agencies. Additional Recovery Act funding is only transitory and WIA yearly appropriations have declined significantly over the past few years, making it difficult to provide effective services to a larger population. In addition, while Department of Education investment in high-school instruction is substantial, remedial and technical education programmes are heavily underfunded. However, because services addressing the various needs of disconnected youth fall under the jurisdiction of multiple agencies, enhanced co-ordination at the federal level can lead to more efficient use of resources and a more integrated service delivery approach at the local level.

64. The share placed in employment or education and the share who attained a degree or a certificate exceeded their respective goals in PY 2007. On the other hand, the share of youth experiencing improvements in literacy and numeracy was below the target of 37%.

To address this challenge, in 2003 the Department of Labor launched a new work framework – the Shared Youth Vision initiative – with the aim of improving co-ordination and pulling together resources from all the agencies involved in youth work (Department of Labor, Department of Children and Families, Department of Health, Adult Education, the Justice system, Housing and Urban Development and Transportation) and increasing employers' involvement in youth matters. While this initiative does not increase overall funding for youth programmes, it has the potential to foster a more efficient use of the funds available at present.

To date, the Shared Youth Vision has sponsored several regional fora between state and local-level officials from different agencies to share information and discuss better ways to work together to serve youth. In response to state interest in continuing these efforts, the Department of Labor has recently awarded grants to 16 competitively selected states to help them develop strategic plans to connect the systems that serve youth at the state and local level. Plans have been laid out for roundtables with industry stakeholders to foster enhanced business engagement in youth matters.

Pooling funding from various federal sources will require efforts to co-ordinate varying administrative and performance requirements. At present, many local programmes financed by several federal agencies face challenges working across varying eligibility and reporting rules. For instance, while each of the federal funding sources has its own management information system, they all require similar information causing staff to spend a significant amount of time inputting nearly identical data elements into separate data collection systems. Funding cycles – notably contract durations – and eligibility requirements – notably age limits – also vary between funding sources, increasing the administrative burden for programmes that receive funding from multiple federal agencies. The Shared Youth Vision initiative has the potential to help states and local youth programmes address some of these challenges.

In addition to the Shared Youth Vision, possible re-authorisation of WIA – due since 2003 – has opened the way to a number of reform proposals including: increasing focus on out-of-school youth by either raising the share of formula funds that have to be allocated to this group of youth to 70% or raising overall funding; dropping the income requirements to be eligible for WIA funds which currently limits applications because of the heavy administrative burden it imposes (GAO, 2002); and introducing a research agenda using rigorous evaluation techniques to assess whether the programmes provide value for money.

3. What works for disconnected youth: nationwide programmes and their evaluation

In addition to formula grants, the Department of Labor directly funds a number of programmes available nationwide. Because of the significant cost of these large scale programmes, many have been the object of rigorous evaluation or are about to. Contrary to earlier findings that hardly any intervention works with very high-risk youth (Martin and Grubb, 2001), recent evaluations provide evidence that some comprehensive programmes focusing on remedial education, work experience and adult mentoring are effective, at least for some subgroups of participants.

Four such youth programmes are described below. Most, but not all, of these US programmes have undergone rigorous evaluation to assess their success at reconnecting disconnected youth.

A. Youth Opportunity Grants raised employment rates of Black youth, and teenagers and reduced NEET rates across the board

The Youth Opportunity Grant programmes (YOG) concentrated a large number of programmes and placement opportunities in impoverished neighbourhoods where pre-programme NEET rates often reached 40%. The unique feature of the programme was that all youth aged 14-21 (in or out of school) were eligible for services provided they resided in the designated high-poverty community served by the grantee. Each grantee had to provide the elements required by WIA, as well as intensive job placement and two-year follow-up services. In addition, each had to operate a one-stop youth centre. The programmes were launched as a pilot in 1996[65] and extended to 36 sites across the United States in the early 2000s. They were funded for five years and, by 2005, when funding stopped, 91 000 youth were enrolled nationwide (GAO, 2005).

YOG offered significant resources – USD 250 million per year – to programmes established in high-poverty areas. Its ultimate goal was to improve the long-term educational and employment outcomes of youth living in these areas, partly by serving a high enough proportion of youth to positively affect peer pressure. A second set of objectives involved improving the quality of the jobs – as measured by wages, industry and occupation – obtained by target area youth. The pilots were also meant to

65. The pilots' target group differed from the national roll-out one. The pilots focused on out-of-school youth aged 16-24.

build an infrastructure that would survive when federal funding stopped. Services were set up differently in different local communities and the most successful tended to integrate case-management and job-placement roles. Services provided included educational programmes (alternative high schools), learning centres to improve residents' literacy and numeracy skills, school-to-work transition programmes in local high schools, drop-out prevention programmes, job-training programmes, job-brokering services, and expanded sports and recreational programmes for target area youth.

D'Amico (2007) presents demographic characteristics of the cumulative number of YOG participants. He shows that 60% of enrolees in YOG were Black non-Hispanic youth, 22% were youth of Hispanic origin and another 15% had an ethnic background;[66] almost 85% were teenagers, 46% were not in school, and 47% were young men. D'Amico also shows that 38% of participants received a placement in unsubsidised employment, education or training. Unsubsidised employment was the most frequent of the three options involving about half of placed youth (60% of placed out-of-school youth and 45% of placed in-school youth). In-school youth placed in long-term training or education very often continued to college while out-of-school youth were split between college and occupational training destinations.

Despite a very difficult enrolled population, a recently completed evaluation based on rigorous methods showed that YOG had a positive and statistically significant effect on employment rates of some sub-groups of the target population, notably Black youth and teenagers (see Box 4.2). The programme also reduced NEET rates and increased enrolment in high school and post-secondary education, notably for 20-21-year olds, Black non-Hispanic youth, youth of Hispanic origin and young males. On the other hand, effects of YOG on the employment rate of young women were found to be ambiguous: both a movement from employment to school and one from NEET to employment emerged in the evaluation and it was unclear which of the two dominated.

66. Compared with both the national population shares and WIA youth formula grants participants this ethnic distribution of enrolees is heavily biased towards African-American and Hispanic youth.

Box 4.2. **The quasi-experimental evaluation of Youth Opportunity Grants**

A quasi-experimental evaluation based on the YOG programme roll-out between 2000 and 2005 was completed in 2008 (Jackson, 2008). For the impact analysis, youth in YOG areas were compared to two different comparison groups: *i)* 14-21-year olds in high-poverty, central-city census tracts[a] selected using propensity-score matching; and *ii)* 16-21-year olds residing in urban census tracts identified as having poverty rates above 20% according to the 1990 Census.[b] Although the two comparison groups do not yield exactly the same results, difference-in-differences techniques showed that as a result of YOG more youth in targeted communities were in school and fewer were NEET.

The evaluation found the following YOG effects on employment of subgroups:

- YOG increased the labour-force participation rate overall and specifically for teenagers, young women, native-born residents, Black youth, and in-school youth. YOG also increased the employment rate among Black youth, teenagers, out-of-school youth, and native-born youth and had a positive effect on the hourly wages of women and teenagers.

- YOG reduced full-time employment among the employed overall and for many sub-groups, most notably females, older youth, and White youth. YOG also appeared to significantly decrease the full-time employment rate for in-school youth.

Effects on education-related outcomes were more substantial than the employment-related effects. YOG had a positive impact overall on increasing the percentage of youth with at least an 11th-grade education, reducing the percentage of youth who were not in school, and increasing the percentage in secondary school. The YOG effect on educational outcomes was positive for several subgroups: enrolment increased for teenagers, Hispanic youth and foreign-born youth.

YOG also reduced the number of NEET youth overall and for males and females, 20-21-year olds, Black, Hispanic and native-born youth, and foreign-born youth.

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a) Census Tracts are small, relatively stable geographic areas that usually have a population of 2 500 to 8 000. They are located in Census metropolitan areas and in Census agglomerations with an urban core population of 50 000 or more in the previous census.

b) Data for youth in YOG areas and youth in each of the two comparison groups were derived from different sources. This, as well as the fact that the treatment and comparison groups are not in the same labour market, that matching is based on census tracts rather than individuals and that impact analyses are based on the characteristics of the *entire* communities rather than only YOG enrolees represent weaknesses of the approach that call for caution in interpreting the evaluation's results.

B. Career Academies have a positive and sustained impact on labour market outcomes of young men

Career Academies, introduced in the United States almost 40 years ago, are an educational programme that combines academic and technical instruction around a career theme – health care, technology, hospitality and finance – at the high-school level. They are characterised by three features: *i)* a "school-within-a-school" organisational structure[67] aimed at creating a more supportive and personalised learning environment where students stay with the same group of teachers over three or four years during high school; *ii)* curricula that combine academic and career or technical courses to enrich teaching and learning; and *iii)* partnerships with local employers to increase career awareness and provide work-based learning opportunities. In 2008, there were about 2 500 Career Academies across the country.

Over time, the target population has expanded and goals have evolved accordingly. While Career Academies originally focused on keeping students at high risk of dropping out enrolled in high school and on preparing such students for the world of work, since the early 1990s they have aimed to prepare a mix of high-performing students and high-risk students for both college and employment.

A random-assignment evaluation of Career Academies that followed participants up to eight years after scheduled graduation found positive and sustained impacts of the programme on a number of labour market outcomes for young men in the study sample (Box 4.3). Attending Career Academies helped young men obtain better-paying jobs and jobs that gave them the opportunity to work more hours (more often in full-time than part-time jobs). The effect of participation on earnings grew over time – *i.e.* was stronger eight years than four years after scheduled graduation. In addition, young men who attended academies were found to be more likely to have a stable family life. Attendance at Career Academies was not found to increase graduation rates or the likelihood to attend post-secondary education, but both the Career Academy participants and the comparison group did better than the national average on these measures of educational attainment.[68]

67. Although some have the structure of small schools where all students participate in the Academy, most academies operate as part of large, comprehensive high schools.

68. Attendees and youth in the comparison group were randomly chosen from a group of Career Academies' applicants. As a result, both were motivated to participate in the programme which is likely to explain the results in terms of graduation rates.

Box 4.3. **The random assignment evaluation of Career Academies**

A random assignment evaluation of Career Academies was launched by the Manpower Demonstration Research Corporation (MDRC) in 1993. Evaluators have followed 1 764 high-school students randomly selected into nine academies – in California, Florida, Maryland, Pennsylvania and District of Columbia – for 15 years. When the project began, the nine participating academy programmes had more applicants than they had places to offer, so students were selected by lottery. The 55% of the 1 764 applicants who won admission became the study's *academy group* and the 45% who lost the lottery became the *control group*. The ethnic character of each group was about the same: more than 50% were of Hispanic origin and about 30% were Black. In the eight-year follow-up study, 1 428 of the former high-school students were located – 82% of the academy group and 80% of the control group.

Three rounds of evaluation have been carried out so far: one, four and eight years after scheduled graduation. The analysis focused on the effect of enrolment in Career Academies on graduation rates, post-secondary enrolment and labour market performance (employment rates and wages).

The first-year evaluation (Kemple, 2001) – based on interviews conducted approximately 14 months from the date of scheduled graduation – already showed positive outcomes for participants compared with equally motivated non-participants.[a] Confirmation of the effectiveness of the programme came more recently with the four-year and eight-year follow-up studies. The latest study (Kemple and Scott-Clayton, 2008) shows that Career Academies produced sustained earnings gains that averaged 11% (over USD 2 000) more per year for participants than for individuals in the non-academy group. For young men, this effect was even stronger: they earned 17% more each year, totalling nearly USD 30 000 over the eight years of follow-up. Comparing these findings with those in the four-year follow-up (Kemple and Scott-Clayton, 2004) suggest that the effect of participation on earnings grew over time.

Career Academies also raised the percentage of young people living independently with children and a spouse or partner (33% compared with 27% in the comparison group). Young men also experienced positive impacts on marriage (36% compared with 27%) and custodial parenthood (27% compared with just 25%). Effects for women were smaller and not always statistically significant.

On the other hand, while Career Academies served as an effective pathway to secondary education, they did not prove to be more effective than options available to the comparison group. More than 90% of both groups graduated from high school or received a GED and half completed a post-secondary qualification. Youth at high risk of dropping out in the comparison group caught up with high-risk participants by graduating late.

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a) It is noteworthy that youth in the control group – made up of youth motivated to attend a Career Academy but not selected – perform better than the national average in terms of graduation rates, post-secondary enrolment and labour market outcomes (Kemple, 2001).

The additional cost of Career Academies relative to high-school instruction varies considerably across schools – ranging from just USD 300 to USD 1 500 per pupil – and was estimated to be an average of USD 600 per pupil on top of the district average expenditure per pupil in 2004. The Department of Labor has been funding Career Academies for the past 13 years and the Department of Education has contributed funding for the past five years. As positive evaluations have become available, the number of career academies has increased but remains small. Career Academies are present in just 10% of public high schools in the United States.

C. Job Corps helps disconnected young adults get better-paid jobs and improves their social behaviour

Job Corps is a *residential* programme for disconnected youth with a strong focus on education, employability and social development. The programme has been a central part of the federal government's efforts in the United States for several decades to provide employment assistance to disadvantaged youth and help them become "more responsible, employable and productive citizens".

To be eligible, youth must be aged 16-24, meet low-income criteria and face one or more barriers to employment such as lacking qualifications or being a runaway, a foster child, a teenage parent or a homeless youth. Participation is on a voluntary basis. In PY 2007, 75% of participants had not completed high school and more than half read below the 8th grade level – *i.e.* the level of a 14-year old. Six out of ten participants were men and over 80% were 16-20-year olds. In terms of ethnicity, about half of participants were African-American, 25% were White, 17% were Hispanic, 3% were American-Indian and 2% were Asian or Pacific Islanders.

Job Corps services are currently delivered at 122 centers nationwide in the United States and serve about 60 000 new participants annually. Most youth participate in a campus-like residential living component – approximately 85% of students are residential – while the remaining students commute to their centers daily. Job Corps is an open-entry, open-exit programme – *i.e.* youth can enter and leave the programme at any time. In PY 2007, participants spent an average of eight months in the programme but it took close to 12 months on average to graduate – *i.e.* to obtain a high-school diploma or a GED certificate or to complete a career technical trade. However, in the best-performing centres in terms of placement rates, students tend to stay longer – up to 24 months.

Prior to arrival, Admission Counsellors help students prepare their Personal Career Development Plan which sets goals and establishes a timetable for their education and training. Upon arrival at the centre, the

plan is reviewed and completed with the help of Job Corps staff. Programme components include a strong focus on academic education and vocational training to help participants attain an upper secondary qualification. Thanks to close co-operation with unions, some vocational training courses available at Job Corps are recognised as pre-apprenticeship programmes, allowing entry to apprenticeships at a higher level and salary.[69] At the end of the programme, placement services help participants to secure sustainable employment. Other key services include health education, health care and counselling. During the programme, youth receive a stipend twice a month – increasing with seniority, up to USD 46 – and a lump-sum of USD 100 every three months to purchase technical-training clothing and other clothing essentials. Youth who graduate having completed vocational training and obtained an upper secondary qualification are eligible for USD 1 200 to help with the start-up costs of independent life.

Outreach activities, centre management, training and placement services are run primarily by private contractors and non-profit organisations.[70] Contracts are allocated through a competitive tendering process and can last up to seven years after a series of renewals. All contractors are evaluated based on several criteria each carrying a different weight, with some weights modelled on the characteristics of the population in each Job Corps centre. The list of outcomes agreed for centre contractors and the respective weights are presented is Table 4.5.[71] The achievement of these goals influences contractors' payment in the form of extra bonus payments – *i.e.* centre contractors are only allowed to bid for costs and a profit margin of 2.8% but can attain profits of up to 6% if they perform well according to the above-mentioned criteria.

69. Job Corps co-operates with seven unions to provide job-specific training and place youth in jobs. In addition to recognising some vocational education courses at Job Corps as pre-apprenticeship programmes, unions also help with developing curricula and keeping them up to date to suit industry needs. They select Job Corps participants once they have obtained a GED or a high-school diploma and place them in apprenticeships and other jobs upon training completion. If the placement requires moving to another area, unions provide initial transportation and housing support.

70. However, 28 centres are operated by federal agencies *via* interagency agreements.

71. Outreach contractors are evaluated based on: the number of youth recruited; the percentage of women recruited; the share of recruited youth who remain enrolled for a minimum of 60 days; and the share of recruited youth who do not separate within 30/45 days due to a violation of the Job Corps' Zero Tolerance policy against violence and drugs, respectively. Placement contractors are evaluated based on the same placement criteria indicated for centre contractors (the last seven items included in Table 4.5).

Table 4.5. **Job Corps Centres evaluation criteria, United States, 2007**

Category	Goal	Weight
Direct Centre Services – 40%		
High-school diploma/GED attainment rate[a]	50.0%	15.0%
Career technical training completion rate	65.0%	15.0%
Average literacy gain[a]	1 EFL[b]	5.0%
Average numeracy gain[a]	1 EFL[b]	5.0%
Short-term Career Transition Service – 35%		
Rate of CTT[c] completers placed in traning-related jobs or in post-secondary education or training	70.0%	5.0%
Post-enrolment placement rate	85.0%	10.0%
Graduate placement rate	95.0%	15.0%
Graduate average wage at placement[a]	USD 8.85	7.5%
Long-term Career Transition Services – 22.5%		
Graduate six-month follow-up placement rate	70.0%	15.0%
Graduate six-month average weekly earnings[a]	USD 400	5.0%
Graduate 12-month follow-up placement rate	70.0%	2.5%

a) Model-based goal. The goal reported in the table corresponds to the national one. A centre-specific goal is obtained by accounting for local labour market and centre-specific conditions.

b) EFL stands for educational functional level gain (based on the test of adult basic education reading and mathematics units).

c) CTT stands for career technical training.

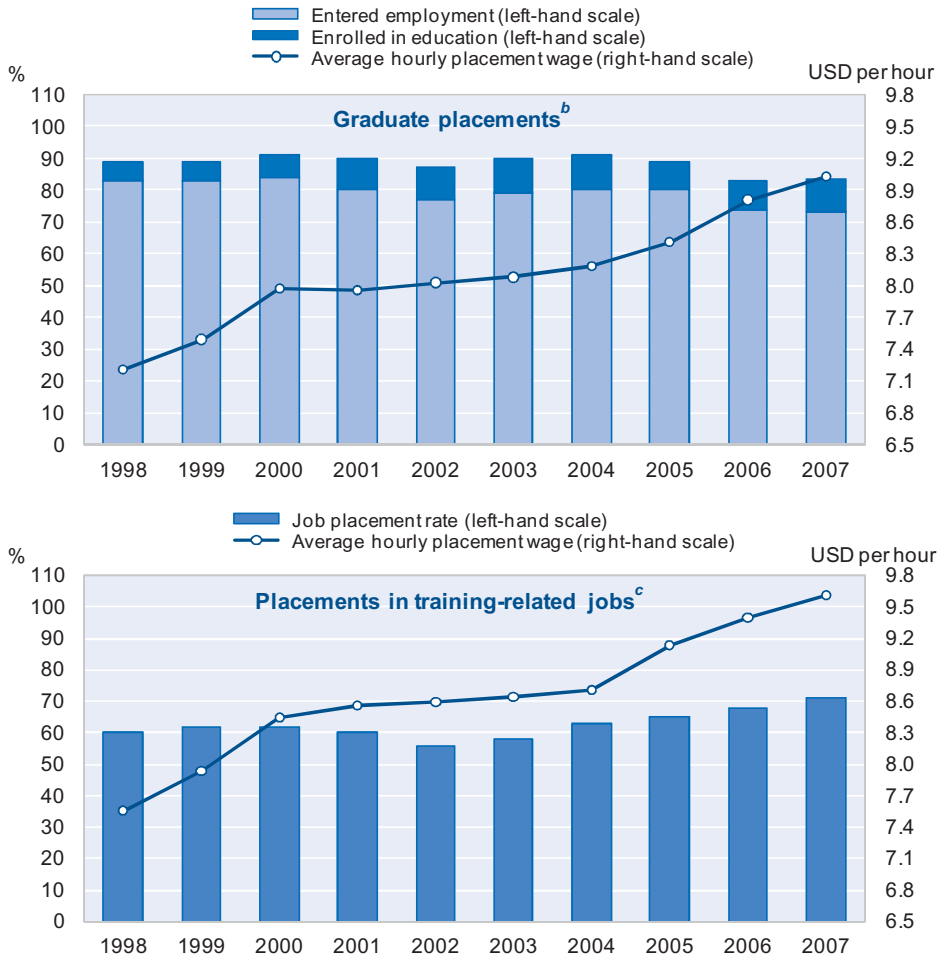
Source: Department of Labor, Job Corps Policies and Procedures for Programme Year 2007.

Rankings of all Job Corps centres nationwide based on the measures presented in Table 4.5 are published yearly. Figure 4.2 shows outcomes for selected performance indicators between PY 1998 and PY 2007.[72] In PY 2007, the graduate placement rate – at 83% – stood 12 percentage points below the target of 95%. This placement rate has been falling since PY 2005 reflecting a fall in the share of graduates entering employment or the military from 80% in PY 2004 to 73% in PY 2007 while the share of graduates entering education remained stable. On the other hand, the average hourly wage of placed graduates attained its target and so did the placement rate in training-related jobs. The three long-term career objectives were also attained nationally on average. Taking all performance measures into account gives an average national rating of 89%.[73] There is significant variation across centres, but most centres failed to achieve the educational and placement-rate objectives.

72. As for WIA activities, a programme year starts on 1 July and ends on 30 June of the following year.

73. This average is obtained by applying the weights presented in Table 4.5 to the percentage of the target that has been achieved for all performance indicators. Because of the way the average is calculated, it is possible to obtain a rating of 100% by exceeding some goals and not achieving others. For the same reason, centres can have ratings exceeding 100% and some actually do.

Figure 4.2. **Job Corps, selected performance indicators, 1998-2007**[a]



PY: Programme Year.

a) From PY 1998 to PY 2007. Number of graduates placed in a job, in the military, in an education programme or who have transferred to an advanced training programme divided by the number of graduates. Average hourly wage of graduates placed.

b) Number of Career Technical Training completers placed in *training-related* jobs or the military or post-secondary education/training divided by the number of Career Technical Training completers placed in *any* job, the military or post-secondary education/training. Average hourly wage of completers placed in *training-related* jobs.

Source: DOL (2002 and 2006) for PY 1998 to PY 2005, and Job Corps Center Report Cards for 2006 and 2007.

Although these descriptive statistics provide valuable information on centre performance and guide providers' remuneration, rigorous evaluation methods are needed to judge whether Job Corps participants do better on the labour market and in education than if they had not participated in the programme. This is particularly important given that Job Corps is an expensive programme, costing approximately USD 22 000 per participant and USD 25 000 per place per year.[74] Evaluations using experimental methods – *i.e.* random assignment – surveying participant youth and a control group for four years found rather positive effects of Job Corps on participants' employability and earnings and high social rates of return, reflecting, in addition, improved social behaviour of participants (less crime and drug abuse, etc). However, a follow-up analysis based on administrative data on earnings found the positive impact on earnings persisted only for 20-24-year olds while it disappeared for teenagers beyond four years since random assignment. On average Job Corps' costs were found to exceed its benefits but the programme was found to be cost-effective for 20-24-year olds. Overall, these findings suggest the need to sustain the earnings gains for the youngest participants to improve average cost-effectiveness (Box 4.4). It is noteworthy that the evaluations refer to the Job Corps programme as it was operated in 1994-96, and not necessarily to the programme as it operates today.

Box 4.4. **The random assignment evaluation of Jobs Corps**

The National Job Corps Study consists of a series of evaluation reports aimed at quantifying the impact of Job Corps on labour market and social outcomes of participants and at assessing the cost-effectiveness of the programme.

The sample intake took place between November 1994 and February 1996. Among all youth who applied to Job Corps nationally and were found eligible – about 81 000 – 5 977 were assigned to the *control group* and 9 409 were assigned to the *programme group*. Because random assignment occurred after youth were determined eligible for Job Corps and *not* after they enrolled in Job Corps centres, the programme group included youth who enrolled in Job Corps (73%) and youth who did not enrol (27%). To preserve the benefits of the random assignment, all youth who were randomly assigned, not only those who enrolled at a centre, were included in the analysis. Some, but not all studies, estimated the impact of Job Corps on participants, as well as on the programme group.

Control-group members were not permitted to enrol in Job Corps for three years, but they were able to enrol in other programmes available to them. As a result, the comparisons of programme and control-group outcomes represent the effects of Job Corps relative to other available programmes that the study population would enrol in if Job Corps were not an option.

The main evaluation study (Schochet *et al.*, 2001) used survey data collected during the four years after random assignment. Comparisons of the average outcomes of programme

74. The difference is due to the fact that youth stay on average eight months.

and control-group members indicated that Job Corps generated positive impacts on earnings beginning in the third year after random assignment and persisting through the end of the four-year follow-up period. During the first two years, the earnings of the control group were larger than those of the programme group because programme-group members were enrolled in Job Corps. It took two years from random assignment for the earnings of the programme group to overtake those of the control group. The impacts grew between quarters 8 to 12 (the third year) and then stabilised between quarters 13 to 16 (the fourth year). During the fourth year, the average earnings gain of a programme-group member relative to a control-group member was 8% while the average gain per participant was 12%. Earnings gains were found for the full sample, as well as broadly across subgroups. Based on the assumption that these gains would continue beyond the four-year follow-up, the benefits from Job Corps were found to exceed the programme's cost.

The survey-based study also found that Job Corps participation led to:

- Increases in the time spent in education and training (both in and out of Job Corps) by the equivalent of ten months in school and the receipt of GED and vocational certificates;
- Significant reductions in involvement in the criminal justice system. The arrest rate was reduced by 16% and the conviction and incarceration rates by 17%;
- Small beneficial impacts on the receipt of public assistance and on self-assessed health status; and
- Small increases in the likelihood of independent living or living with a partner.

Three more recent studies (Schochet *et al.*, 2003, Schochet and Burghardt, 2005; and Schochet *et al.*, 2006) used administrative earnings records as an alternative data source for obtaining information on the employment and earnings of programme and control group members. The studies were conducted in the hope that administrative data would allow to estimate longer-term earnings impacts than could be obtained using the survey data, as well as to test the assumption used in the cost-benefit analysis about the persistence of impacts on earnings beyond the fourth year. The pattern of estimated impacts using the survey and administrative data was found to be similar but the survey-based impact estimates were larger and more often statistically significant than when administrative data were used.[a] Based on the administrative data, Job Corps was found to have no impact on employment or earnings of teenagers after the four-year period covered by the survey. Only the earnings impact for 20-24-year olds appeared to have persisted. This may be because youth in this age group tend to spend more time in Job Corps than teenagers, receive more hours of vocational training while enrolled and are more highly motivated and better behaved. In addition, many of the teenagers in the control group returned to high school after being rejected by Job Corps while this was the case with fewer older youth in the control group.

When the cost-benefit analysis was revised to incorporate the new findings, Job Corps was found *not* to be cost-effective overall. Benefits exceeded costs only for 20-24-year olds. Thus, there remains a bit of a puzzle concerning the cost-effectiveness of Job Corps, especially for teenagers.

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a) The authors carried out a thorough analysis of what could explain these differences. They found the following factors explained most of the difference: *i)* misreported social security numbers; *ii)* non-coverage of informal and some non-formal jobs in administrative data; *iii)* over-reported hours worked in the survey data; and *iv)* larger earnings for survey respondents *versus* non-respondents.

To boost Job Corps performance – particularly graduate placement rates – the Department of Labor initiated in 2004 the so-called *New Vision*, a plan including several changes to the programme that should be fully operational in 2010. In the New Vision, more emphasis will be placed on teaching transferable skills, on expanding Job Corps training in high-demand industry sectors, on updating the technical content of Job Corps to align it with industry-based skill standards and industry-recognised certification, and on expanding the role of all business partners by involving them in recruitment, delivery and placement. A new standards-based curriculum will be developed including four components: basic academic standards, applied academic standards, industry standards and career success standards.

The New Vision will also require new performance measures reflecting the changes that are being designed. This will provide a good opportunity to ensure that performance measures better reflect long-term outcomes for participating youth. A study conducted by Schochet and Burghardt (2008) found that Job Corps performance measures badly predicted long-term impacts for participants in the mid-1990s, as measured by the random-assignment evaluation of the programme.[75] Suggested changes included longer follow-up measures than the currently existing 12-month placement rate.

D. YouthBuild provides disconnected youth with training in construction

YouthBuild is an academic and vocational training programme that supports disconnected 16-24-year olds to obtain a high-school diploma or GED and provides occupational training in the construction field. Expected outcomes, aside from degree attainment, are placement in post-secondary education or placement in employment, apprenticeships or other long-term occupational training, or the military.

The programme was first introduced in 1979 as Youth Action Program, helping teenagers in East Harlem, New York, to renovate a local building. From 1990-2005 it was administered by the Department of Housing and Urban Development and in 2006, its responsibility was transferred to the Department of Labor. The move caused a shift in focus from community development and the building of affordable housing to improving the employability of disconnected youth. In addition, since 2006, YouthBuild has been subject to the performance measures set by the Department of Labor – placement in employment or education, attainment of a high-school diploma or GED and

75. The authors acknowledge that things have changed since and the current performance measurement system is already substantially better than the one existing at the time of the random-assignment evaluation.

literacy and numeracy gains – requiring a follow-up of participants up to 90 days after they leave the programme. Since 2006, the Department of Labor has awarded approximately USD 50-60 million yearly to 107 organisations around the country to operate YouthBuild programmes, serving approximately 3 100 participants during the first year. Also, in 2009, YouthBuild benefited from an additional USD 50 million in Recovery Act funds.

To be eligible, a young person must be a school drop-out, and at least one of the following: a member of a low-income family, a foster-care youth, a young offender, a disabled youth, a child of incarcerated parents or a migrant youth. However, up to 25% of programme participants could hold a GED or high-school diploma but lack basic skills or be referred by a local secondary school for participation in the programme. Despite these eligibility conditions aimed at identifying youth that are most at-risk, considerable creaming takes place. About 30% of applicants are selected to undergo a three-four-week trial period and only two-thirds of these are retained for participation. This is the reflection of the need to meet the performance measures on which funding is conditional.

YouthBuild participants must spend at least 50% of their time in education and related services; and at least 40% of their time in workforce investment activities (work experience, occupational skills training, job search, internships, etc.). Construction work carried out during the programme includes the building of housing sold at no profit to poor households and building restorations for the local community or NGOs. During the programme, youth are paid a stipend and receive help with transportation and tools.[76] In 2007, the average time spent on the programme was nine months. Gender segregation is a big issue as construction is perceived as a typically male profession: women account for only about 20% of participants at programme entry and several drop out.

YouthBuild programmes maintain links with social service providers, unions and employers in their community. Links with employers are key to ensure that youth can be placed in jobs after the end of the programme. Developers, contractors and subcontractors are called in during the programme to meet with the students and are encouraged to sponsor students to participate in an apprenticeship. Until recently,[77] significant shortages in the construction sector had raised the interest of employers in disconnected youth who had

76. For students who are on site full-time – *i.e.* doing construction work – the stipend amounts to USD 250 per week, while for students who are combining school and site work – mostly at the beginning of the programme – the stipend is USD 250 every two weeks.

77. Employment in the construction sector has declined by 15% in the year to June 2009 because of the financial crisis and the worsening housing slump.

undergone technical and employability training with YouthBuild. The programme also includes a placement office to help youth find work when the programme ends.

The programme is rather costly – between USD 15 000 and USD 18 000 per participant including stipends for their work – thus a rigorous evaluation is needed to assess its effectiveness at helping disconnected youth obtain qualifications and embark on a career.

4. Benefits and re-employment services for unemployed and disabled youth

While only a subset of disconnected youth are entitled to any benefit support, those who do receive benefits – notably, the unemployed and the disabled – are easier to connect with. For the unemployed, there is increasing recognition across OECD countries of the importance of activation strategies based on the so-called "mutual obligations" principle and, in some countries, this principle is being introduced for the disabled too.

As seen in Chapter 1, in the United States, unemployment traps leading to disconnectedness are rare, thus less of an issue than inactivity traps. However, some programmes to boost the employment prospects of the unemployed do exist and are presented below along with some initiatives aimed at promoting work for disabled youth.

A. Unemployed youth with sufficient contributory history are entitled to benefits for six months but very few qualify

In the United States, there is no age restriction for unemployment insurance (UI) entitlement. Young people who become unemployed through no fault of their own (as determined under state law), have the required contributory history, and are capable of working and available for work are entitled to receive UI.

Each state administers a separate UI programme within guidelines established by federal law. Eligibility rules, benefit amounts and the duration of benefits are determined by the state law. However, in most states:

- Eligibility is assessed based on wages earned or time worked during an established period of time referred to as a "base period". In most states, the base period corresponds to the first four out of the last five completed calendar quarters prior to the time when the claim is filed;

- Benefit amounts are based on a percentage of the individual's earnings over a recent 52-week period – up to a state maximum amount;
- Benefits are paid for a maximum of 26 weeks although additional weeks of benefits may be available during times of high unemployment.[78]

As a response to the current economic downturn, the United States government has extended the duration of unemployment benefits for unemployed individuals who have already collected all their benefits and meet the eligibility requirements. As of November 2008, the maximum duration of benefits had been raised to 46 weeks nationwide and to 52 weeks in states with high unemployment rates.

Despite these extensions, eligibility requirements have remained unchanged. As a result, although youth are one of the age groups most affected by the current downturn, they are unlikely to qualify in large numbers for unemployment benefits because they lack the necessary contributory history.[79] The only measure taken by the government in the context of the current economic crisis that may translate in an extension of benefit eligibility is one that provides funding for states to apply an alternative reference period for benefit calculations. In fact, when considering a person's work history, most states do not include his/her wages in the nearest quarter to the unemployment spell. Instead, they take into account what the person earned in the four quarters before that. This hurts youth who are just entering the labour force as well as low-wage earners, women and other labour-force re-entrants. Unfortunately, not all states have accepted the funding offered by the federal government to include the latest quarter of work in the benefit eligibility calculations. In July 2009, only 30 states had done so, the others fearing that they may not be able to revert to the old system once federal funding is exhausted in two to three years.

In 2007, less than 1% of 16-21-year olds in the labour force received unemployment insurance and the same share among 22-24-year olds was

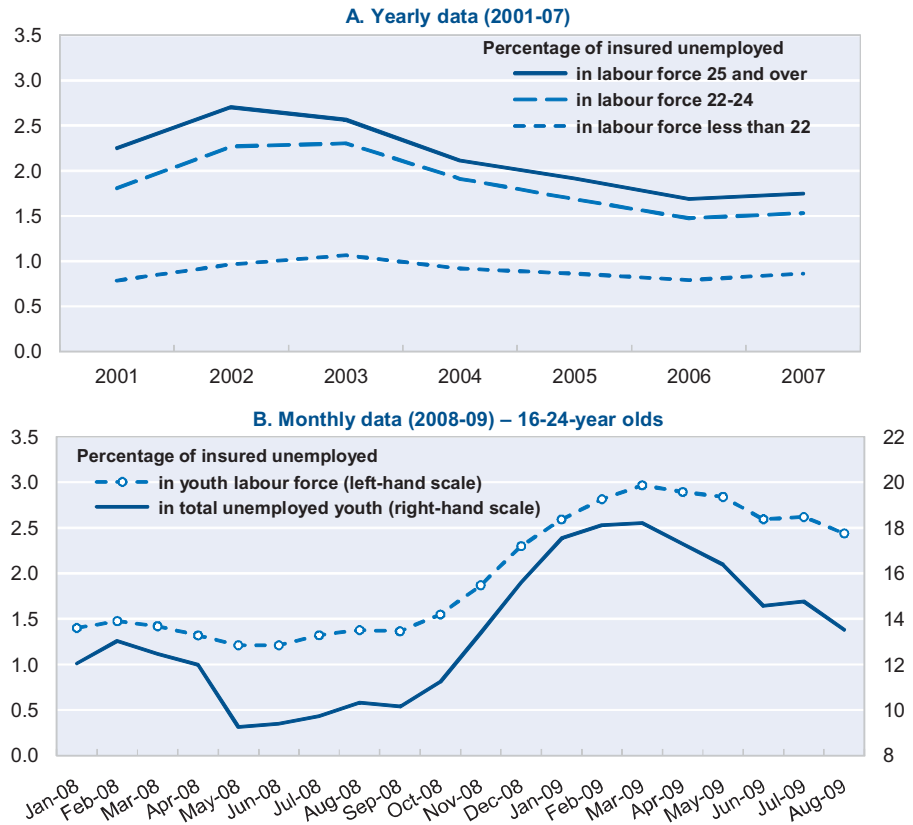
78. When the unemployment rate – either claimant count or ILO unemployment, depending on the state – exceeds a certain threshold, benefit duration can be extended by up to 20 weeks through the Extended Benefit programme. Extended benefits are paid after an individual has exhausted other UI benefits and the weekly benefit amount is the same as the individual received for regular unemployment compensation.

79. It is noteworthy that some states allow part-time workers to look for part-time work only, a feature that has an impact on eligibility for youth who combine work and study.

only 1.5% (Figure 4.3, Panel A). This corresponded to approximately 10% of unemployed 16-24-year olds. On the other hand, about 2% of adults in the labour force received unemployment benefits, *i.e.* approximately half of all unemployed adults.

For 16-24-year olds, the share of insured unemployed in the labour force started to rise in September 2008, by March 2009 it had doubled to 3% and it declined only slightly afterwards (Figure 4.3, Panel B). This rise reflects both the sharp increase in the youth unemployment rate and the broadened benefit eligibility. Indeed, the share of unemployed youth receiving unemployment benefits rose from just 10% to 12% in 2008 to a peak of 18% in March 2009. However, this share has declined since and is significantly lower than that of adults which ranges around 50%.

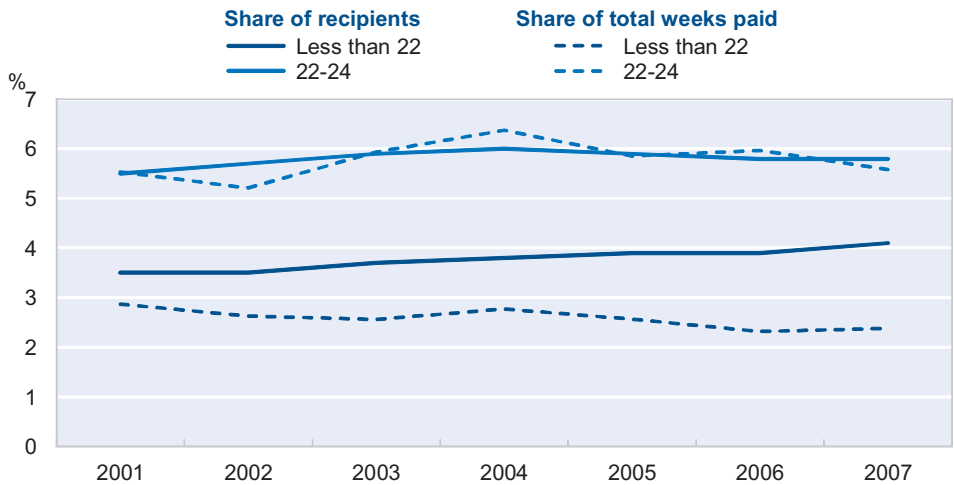
Figure 4.3. **Unemployment insurance recipients, by age group, United States, 2001-09**



Source: Department of Labor, Office of Workforce Security and Bureau of Labor Statistics.

Youth tend to experience shorter unemployment spells than adults. In addition, Figure 4.4 shows that the share of 16-21-year-old recipients of unemployment benefits increased between 2001 and 2007 while the share of total weeks paid to youth in this age group declined reflecting a reduction in the duration of unemployment spells during that period. However, unemployment duration has increased on average in the wake of the current economic downturn and it is likely that youth too will experience longer unemployment spells in the months to come albeit still less so than adults.

Figure 4.4. **Share of youth recipients and benefit weeks paid to youth, United States, 2001-07**

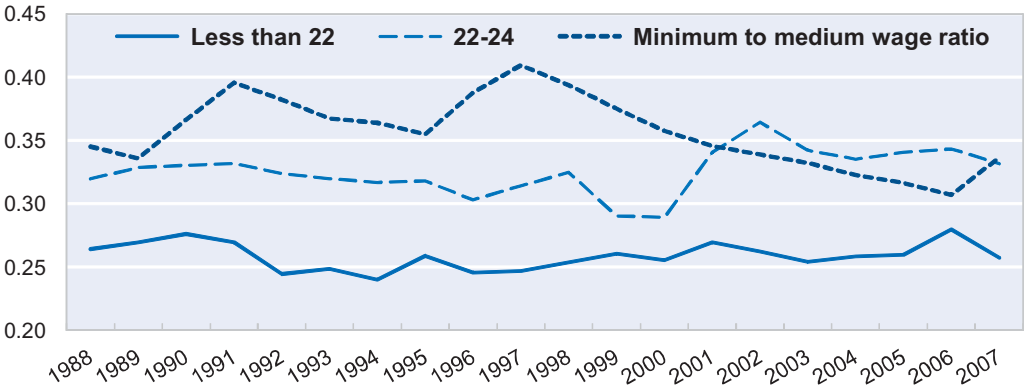


Source: Department of Labor, Unemployment Insurance Benefit Accuracy Measurement survey.

Finally, average actual weekly payments vary significantly by age group. Benefits paid to 16-21-year olds have been relatively flat over time at about 25% of the median wage in the United States (Figure 4.5). On the other hand, weekly benefits paid to 22-24-year olds rose markedly in the early 2000s and stabilised at about 34% of the median wage in the following years. In 2007, this ratio was equivalent to the ratio of the federal minimum wage to the median wage.

Figure 4.5. **Unemployment insurance generosity, United States, 1988-2007**

Ratio of average unemployment insurance weekly payments by age group to the median wage



Source: Department of Labor, Unemployment Insurance Benefit Accuracy Measurement survey.

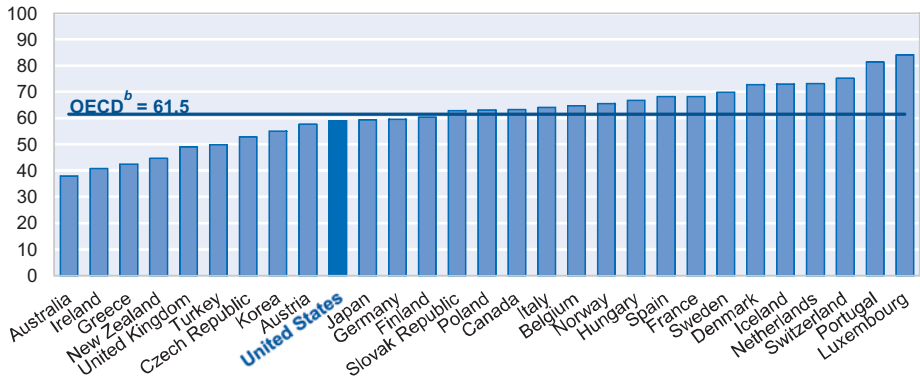
The mutual-obligations principle, under which benefits are paid conditional on the unemployed actively looking for work or attending mandatory re-employment services, rarely applies in the United States. Only in some states are the unemployed required to search for a job. Recipients must report weekly or every two weeks any job offers or refusal of work and they may be required to report to their local UI Claims Office or One-Stop/Employment Service Office. Although failure to attend a scheduled interview can result in benefit cuts, sanctions are rare. In addition, most claims – over 80% – are filed over the phone or the internet making it difficult to link the unemployed to re-employment services. In these circumstances, benefit dependency may be an issue for the duration of the benefits,[80] particularly for young people who still live with their families. Figure 4.6 shows that the UI *net* replacement rate[81] in the United States was close to the OECD average in 2007.

80. Because UI is paid for a maximum of six months in the United States – the shortest UI duration across OECD countries with the Czech Republic, the Slovak Republic and the United Kingdom compared with an OECD average of nearly 20 months – dependency is not as big an issue as in other OECD countries where benefit duration is significantly longer.

81. The net replacement rate is an indicator that compares income from work to benefit income and is adjusted for the effects of taxation.

Figure 4.6. **Net unemployment benefit replacement rates, in OECD countries, 2007**[a]

Percentage of pre-unemployment wage



a) These data are *net* replacement rates, *i.e.* they are adjusted for the effects of taxation. They refer to the average of net replacement rates faced by single persons without children with pre-unemployment earnings of 67% and 100% of the average production wage. They relate to the initial phase of unemployment after any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (*i.e.* monthly values multiplied by 12), even if the maximum benefit duration is shorter than 12 months.

b) Data for Mexico are not available. Unweighted average of countries shown.

Source: OECD, Tax-Benefit Models (*www.oecd.org/els/social/workincentives*).

The issue of benefit dependency is likely to become more pressing in the context of the recent benefit duration extensions for those who qualify. In addition, the wider application of the mutual-obligations approach would be essential if states take advantage of the funding made available by the federal government to relax eligibility requirements temporarily, notably to ensure that more unemployed youth can access benefits. A number of programmes to strengthen job-search incentives and help reconnect the unemployed with services available to them already exist, but their coverage is currently limited (Box 4.5).[82]

82. It is noteworthy that, in most states, unemployment benefits, social assistance and workforce investment services – including the remedial education and re-training programmes funded by WIA and the Department of Labor more generally – are managed separately. Only Utah has pulled together these services which are now managed jointly.

Box 4.5. **Strategies for linking unemployment insurance claimants to re-employment services**

Eligibility Review Programme (ERP)

ERP was introduced in 1976 when the UI claims load was particularly high. Under the programme, spot interviews are carried out to ensure that claimants are actively seeking work and to link claimants to re-employment services. Selected recipients include, among others, those in shortage occupations who are still unemployed and those who are suspected to no longer be eligible for benefits – for example, those claiming benefits longer than the state's average duration. Several studies have exploited state-level variation in the number of checks to assess the programme's impact on the average duration of benefits. Vroman (2001) found that a 1% increase in the number of claimant contacts under ERP reduced average UI duration by 0.07 weeks, causing savings of USD 140 million, in line with Office of Workforce Security internal estimates.

Re-employment and Eligibility Assessments (REAs)

In 2005, the Department of Labor launched pilots for the REA initiative in 21 states. The initiative has the goal of enhancing the rapid re-employment of unemployed workers, eliminating potential overpayments, and realising cost-savings for the UI funds. The REA initiative provides funds for states to test new services that may result in more rapid re-employment of UI claimants. REA services include: *i)* in-person interviews to assess continuing eligibility for UI and need for re-employment services; *ii)* review of UI eligibility; *iii)* provision of labour market information; *iv)* development of a job-search plan; and *v)* referral to re-employment services and/or training, when needed. Within these guidelines, states were given considerable flexibility in designing their REA initiative. Benus *et al.* (2008) carried out an impact evaluation of the programme in Minnesota and North Dakota – the only two pilot states that were able to provide the necessary data. Findings were mixed. Only in Minnesota did REA interviews have a statistically significant impact on UI outcomes – notably, the number of weeks claimed and compensated, the likelihood of exhausting UI payments, and the likelihood of UI overpayments.

Worker Profiling and Re-employment Services (WPRS)

Since 1993, states have been required to establish WPRS to identify claimants who are more likely to exhaust UI benefits early in their unemployment spell, refer them promptly to low-intensity (in terms of both cost and claimant's time) re-employment services and collect follow-up information relating to services provided and employment outcomes of such claimants. Profiling techniques vary by state but include statistical models to identify claimants at risk of exhausting their benefits. Participation to the services for identified claimants is compulsory in order to continue receiving benefits. Two studies (Black *et al.*, 2003; and Black *et al.*, 2007), both relying on Kentucky's WPRS data but using different evaluation techniques, found that the WPRS requirement to participate in the services or lose benefits increased post-unemployment mean earnings and reduced the mean amount and duration of UI benefits.

B. The Youth Transition Demonstration programme may help promote the self-sufficiency of disabled youth

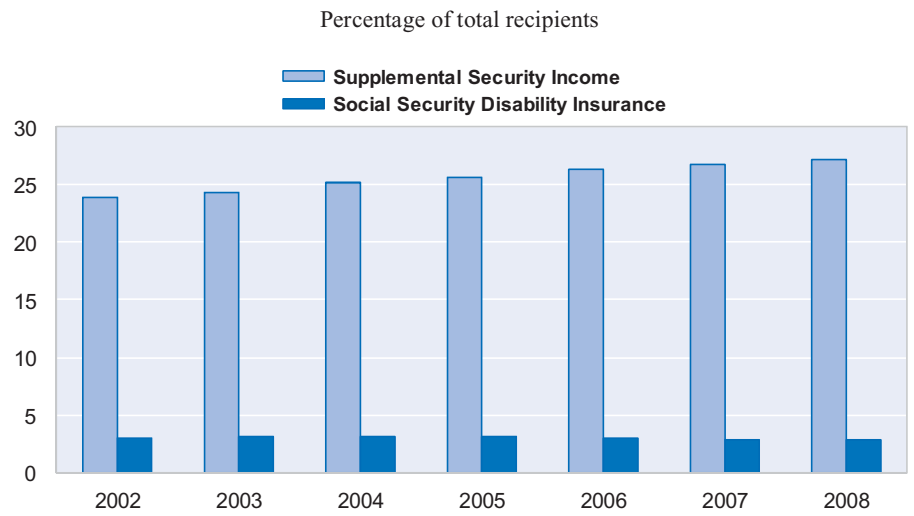
Benefit dependency is often an issue for youth in receipt of disability benefits across the OECD (OECD, 2008e and 2008f). In most countries, youth in receipt of disability support are not required to train, work or look for work and could face a lifetime of welfare support and social and labour market exclusion.

In the United States, disabled youth are entitled to Supplemental Security Income benefits (SSI) from childhood into their adult life and to Social Security Disability Insurance (SSDI) once they have accumulated the required contributory history. SSI benefits are means-tested based on family income up to age 18 and based on individual income and work capacity for 18-year olds or older. In addition, for the purpose of SSI, the definition of disability changes with age: youth under 18 are considered disabled if their disability results in marked and severe functional limitations, while older youth and adults are deemed disabled if their disability results in the inability to do any substantial gainful activity.

On the other hand, SSDI is a means-tested benefit paid to individuals with sufficient contributory history and whose disability interferes with basic work-related activities. The contributory history required to qualify increases with the age when the disability starts. Figure 4.7 shows the share of youth under 30 years of age among beneficiaries of both benefits. In 2008, disabled youth accounted for only 3% of SSDI recipients but made up 27% of SSI beneficiaries, 3 percentage points more than in 2002.[83] This is the group that could be at risk of benefit dependency, although SSI benefits – USD 530 monthly in 2006, constant in real terms since 2002 – are not generous. In addition, young SSI recipients correspond to just 1.6% of the population under 30 years of age.

83. A longer historical series is available for beneficiaries of SSI under 18 years of age – the threshold for the change in the definition of disability. In 1985, this group accounted for only 6% of SSI beneficiaries and by 2006 this share had increased to 15%. This rise translated into the doubling of the share of under-18 SSI recipients in the under-18 youth population, from 0.8% in 1992 to 1.5% in 2007.

Figure 4.7. **Share of youth under 30 years of age in disability benefit recipients, United States, 2002-08**



Source: US Social Security Administration, *SSI Annual Statistical Report*, 2002 to 2008; and *Disability Annual Statistical Supplement*, 2009.

To foster employment among younger beneficiaries of disability benefits and reduce benefit dependency, the Social Security Administration launched in 2003 the *Youth Transition Demonstration* (Box 4.6). The programmes focus on youth whose attitudes towards disability and benefit dependency are easier to change.[84] They will be the object of a random-assignment evaluation in the years to come.

84. Other programmes, not focused on youth, exist to help disability-benefit recipients return to work. The *Ticket to Work* and *Work Incentives Improvement Act of 1999* removed many of the barriers that previously influenced disabled people's decisions about going to work because of the concerns over losing health care coverage. The legislation introduced the Ticket to Work Program – an employment programme for people with disabilities who are interested in going to work – to increase opportunities and choices for SSDI beneficiaries to obtain employment, vocational rehabilitation, and other support services from public and private providers, employers, and other organisations. Participation in the programme is voluntary.

Box 4.6. **The Youth Transition Demonstration (YTD) projects**

YTD targets 14-25-year olds with disabilities based on evidence that programmes targeting youth are more likely to be effective than those initiated at later stages, when an individual's expectations about disability and dependence are more entrenched. The programme could also generate substantial savings for the federal government by reducing average lifetime duration on the disability rolls. In 2008, seven states were participating in the demonstration.

The projects work with youth who receive disability benefits and those who are at risk of receiving these benefits after leaving school. The projects have flexibility in the interventions they develop, the subgroups of youth they serve and the services and support they provide. Services provided generally include benefit counselling, career counselling, job placements and services to support disabled youth once they have entered employment. A key feature of the initiative is the waiving of certain rules governing benefit entitlements – student income, employment income or Individual Development Account funds can be disregarded – to encourage youth with disabilities to enter employment or work more hours.

A national evaluation contract for YTD was awarded to Mathematica Policy Research in 2005 to determine whether the projects led to increased earnings or increased enrolment in post-secondary education of participants. Youth will be randomly selected into the study and will be followed for at least four years through surveys carried out starting from 12 months after assignment.

5. Key points

The Department of Labor concentrates much of its youth labour market interventions on disconnected youth, a group including those who face multiple barriers to social and economic integration such as: low income, low qualifications and/or experience of foster care, disability, homelessness or prison. Actions are pursued on two fronts. On the one hand, under the Workforce Investment Act, states receive grants which are, in turn, distributed to employability programmes. On the other hand, some large-scale nationwide youth programmes receive separate federal funding. Youth programmes vary in content, organisation and target groups but share some key characteristics. First, the investment per participant is high, reaching over USD 20 000 for some federal programmes. Second, youth tend to spend nine to 12 months on the programmes. Third, programmes are required to focus on getting youth a qualification, providing vocational training and offering counselling, adult mentoring and follow-up services. Finally, all programmes are subject to rigorous performance measurement

for which management is held accountable and the major federal initiatives have been the object of rigorous experimental evaluations.

The main challenge facing the Department of Labor in this area is the limited federal funding available. The Workforce Investment Act currently serves less than 5% of disconnected youth and funding has been shrinking. For instance, while more funding for out-of-school youth is needed, currently this can only be achieved by cutting in-school youth funding which has already suffered from the elimination of the Summer Jobs programme. Funding for the Youth Opportunity Grants – aimed at creating a high concentration of services for youth in high-poverty areas – has also been exhausted.

In 2009, the Department of Labor has devoted a significant share of the Recovery Act funds it received to programmes serving disconnected youth. Although this has translated into more than a doubling of the resources available in 2009 for this group of at-risk youth, the increase is only temporary and yearly appropriations have remained unchanged.

To promote a more efficient use of the financial resources available for disconnected youth, the Department of Labor has recently launched the Shared Youth Vision initiative. However, while the initiative helps states pull together funding from all the agencies dealing with disconnected youth and improve cross-agency co-ordination, it does not provide the significant increase in funding which is all the more important in the current context of rapidly rising youth unemployment.

A *New Vision* for Job Corps – a long-lasting residential programme with a focus on remedial education and employment assistance – is also being developed to put more emphasis on transferable skills and to ensure that the training provided is aligned with industry demands.

Youth in the United States rarely have the contributory history needed to qualify for unemployment benefits. As a result, they will be largely excluded from the benefit extensions put in place to deal with the current economic downturn despite being one of the groups most affected by the crisis. The only recent initiative that may favour unemployed youth is the funding made available by the federal government for states to temporarily apply an alternative reference period when determining benefit eligibility. However, only 30 states have accepted this funding. Relaxing eligibility conditions further as an emergency measure would help if accompanied by the application of the mutual-obligations principle, *i.e.* strict job-search requirements in exchange for effective re-employment services under the threat of moderate benefit sanctions in the event of non compliance. In normal times, benefit dependency is not a serious issue for youth but the

application of the mutual-obligations principle would provide an opportunity to direct the most at-risk youth to available employability programmes.

On the other hand, benefit dependency could be a serious issue for disabled youth. In the United States, a major programme to activate disabled youth – the *Youth Transition Demonstration* project – is about to undergo rigorous evaluation which will provide evidence of whether it is effective or not.

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Jobs for Youth

UNITED STATES

Improving the performance of youth on the labour market is a crucial challenge in OECD countries facing persistent youth unemployment. As labour markets become more and more selective, a lack of relevant skills brings a higher risk of unemployment. Whatever the level of qualification, first experiences on the labour market have a profound influence on later working life. Getting off to a good start facilitates integration and lays the foundation for a good career, while a failure can be difficult to make up.

Ensuring a good start will require co-ordinated policies to bring the education system closer to the labour market, to help disadvantaged young people to find a job or participate in a training course and to facilitate the hiring of young people by firms.

OECD has launched a series of reports on the school-to-work transition process in sixteen countries, including the United States. Each report contains a survey of the main barriers to employment for young people, an assessment of the adequacy and effectiveness of existing measures to improve the transition from school-to-work, and a set of policy recommendations for further action by the public authorities and social partners.

The report is based on the proceedings of a seminar and is published in English only. However, a French translation of the summary and main recommendations has been included in this volume.

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