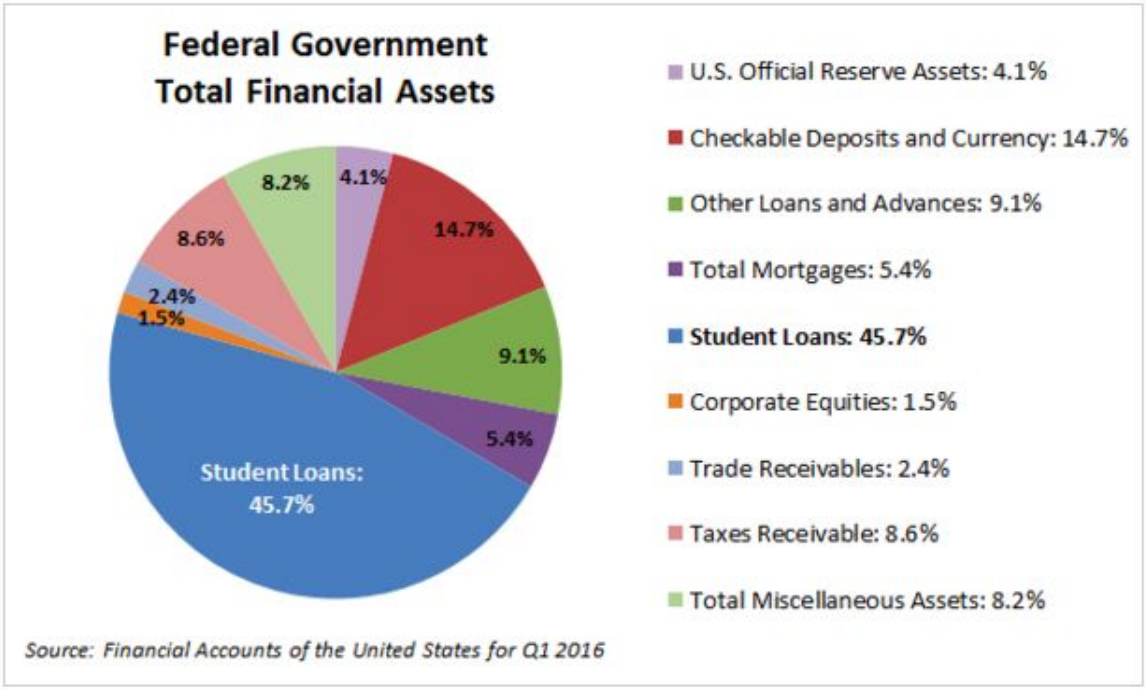
Employ Young Americans Now
An Example of Targeted Direct Government Job Creation

What do young people do now?
College and the supply side focus?
Demand side solutions
What jobs could young people do?

Introduction

Around 40 million young people live in America. This group, from age 16-24, are coming to age at an interesting time in the global economy. Today, this group consists of people who were 8-16 years old when the Great Recession hit in 2008. That recession hit young people hard, and the effects have made today's job market for young people a difficult one to enter. Excluding 16-18 year olds, 11.13% of today's youth have not finished high school. Near 40% are not attending school, 26.38% are in high school, 31.79% are in undergrad, and 1.89% are in graduate or professional school. Of the previous cohort who was young in 2008, 60% attended at least one year of college. Combined with the fact that 45%, or 1.26 trillion, of federal government assets is student loans, the outlook is not the best. Distributing these loans equally to the around 35 million 18-34 year olds with at least one year of college gives an average debt of over $35,000 per student. At the federally set interest rate of 5.6%, this means these students on average are paying an extra $166 a month on top of other costs of living. With skyrocketing tuition costs, and no guarantee of a job after a college education, college does not seem to be a perfect solution. It leaves behind those who cannot afford the money or years away from family to attend, and fails to have proper links to job markets. Students can wander lost for four years without any connection to the economy, which while beneficial in its own right, leaves job prospects bleak.

A better solution than pushing college would be to create jobs for young people. Demand side solutions means we can create jobs catered to the employees looking, rather than hoping students decide to train themselves in high demand job markets. As Hyman Minsky said, "It has never been shown that a thorough program of job creation, taking people as they are, will not, by itself, eliminate a large part of the poverty that exists" (Minsky Jobs 1). Combined with his view that poverty in america is largely linked to unemployment, fixing youth poverty may be as simple as creating jobs for youth as they are, not as the market wants them to be. This is consistent with Pavlina Tcherneva's view of Keynesian employment policy, one where policy targets job creation for the unemployed rather than aggregate or general growth. While this is a good general strategy, concrete policy proposals are necessary. Senator Bernie Sander's bill "Employ Young Americans Now" is given as an example of such targeted employment policy, after reviewing the literature of other supply, demand, and linkage solutions to youth unemployment proposed by other researchers.

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. tab gradeatt if youth [fweight=newperwt]
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Grade level attending [general version]	Freq.	Percent	Cum.
N/A	15,864,480	39.80	39.80
Grade 5 to grade 8	54,395	0.14	39.94
Grade 9 to grade 12	10,513,486	26.38	66.32
College undergraduate	12,669,571	31.79	98.11
Graduate or professional school	753,901	1.89	100.00
Total	39,855,833	100.00	

```
. tab empstatd if youth & gradeatt == 0 [fweight=newperwt]
```

Employment status [detailed version]	Freq.	Percent	Cum.
At work	10,090,805	63.61	63.61
Has job, not working	197,205	1.24	64.85
Armed forces--at work	320,978	2.02	66.87
Armed forces--not at work but with job	2,947	0.02	66.89
Unemployed	1,879,693	11.85	78.74
Not in Labor Force	3,372,852	21.26	100.00
Total	15,864,480	100.00	

```
. tab empstatd if youth & gradeatt == 5 [fweight=newperwt]
```

Employment status [detailed version]	Freq.	Percent	Cum.
At work	2,101,594	19.99	19.99
Has job, not working	61,701	0.59	20.58
Armed forces--at work	6,475	0.06	20.64
Unemployed	701,206	6.67	27.31
Not in Labor Force	7,642,510	72.69	100.00
Total	10,513,486	100.00	

```
. tab empstatd if youth & gradeatt == 6 [fweight=newperwt]
```

Employment status [detailed version]	Freq.	Percent	Cum.
At work	6,240,646	49.26	49.26
Has job, not working	209,068	1.65	50.91
Armed forces--at work	55,922	0.44	51.35
Armed forces--not at work but with job	801	0.01	51.35
Unemployed	912,460	7.20	58.56
Not in Labor Force	5,250,674	41.44	100.00
Total	12,669,571	100.00	

```
. tab educ if age >= 25 & age <= 32 [fweight=newperwt]
```

Educational attainment [general version]	Freq.	Percent	Cum.
N/A or no schooling	264,446	0.76	0.76
Nursery school to grade 4	126,335	0.36	1.12
Grade 5, 6, 7, or 8	765,827	2.20	3.32
Grade 9	534,376	1.53	4.85
Grade 10	573,957	1.65	6.50
Grade 11	819,205	2.35	8.85
Grade 12	10,993,892	31.55	40.40
1 year of college	6,113,379	17.54	57.94
2 years of college	3,061,655	8.79	66.73
4 years of college	8,246,282	23.66	90.39
5+ years of college	3,349,015	9.61	100.00
Total	34,848,369	100.00	

Supply Side

College is the answer! (So we can profit off your loans!)

Demand Side

The Keynesian method of ending unemployment is one of unemployment targeting.

Data & Methodology

Using data from the 2014 ACS I develop a probit model which generates a likelihood of a young person being employed from the noninstitutionalized population. Young person for the purpose of the bill is described as a person from 16-25 inclusive. The dependent variable is employed, which in the ACS takes on 4 categorical variables N/A, Employed, Unemployed, or Not in Labor force. I define employed as 1 if employed, 0 otherwise. The independent variables are education, family size, sex, race, and a categorical income variable. Figure 1 shows the distribution of family incomes with young people using the categorical income variable, and shows the categories. Using this model generates probabilities of a young person being employed. The distribution of employment status is shown in table 1. Tables 2-4 show the distribution by years of schooling, sex, and race. Table 5 shows the results of the probit

regression. After the probit model is created predict is used to give the probability for each young person being currently employed. The universe of potential job applicants includes all not employed young people, that is, those unemployed and those not in the labor force. I run two different scenarios for distributing the jobs into each PUMA. First to those that are most similar to young people who already have jobs and second to those with the lowest likelihood of having jobs. This gives the potential range of the distribution of the jobs depending on how the state plans are implemented. The goal of the bill is to target disadvantaged youth, so if implemented correctly I would expect the plan to be towards the “lower likelihood” end. Tables 6 and 7 shows how the jobs are distributed when assigned to those with the lowest probability, and tables 8 and 9 show how the jobs are distributed when assigned to those with the highest probability.

Figure 1: family income distribution of family heads with youth in dollars

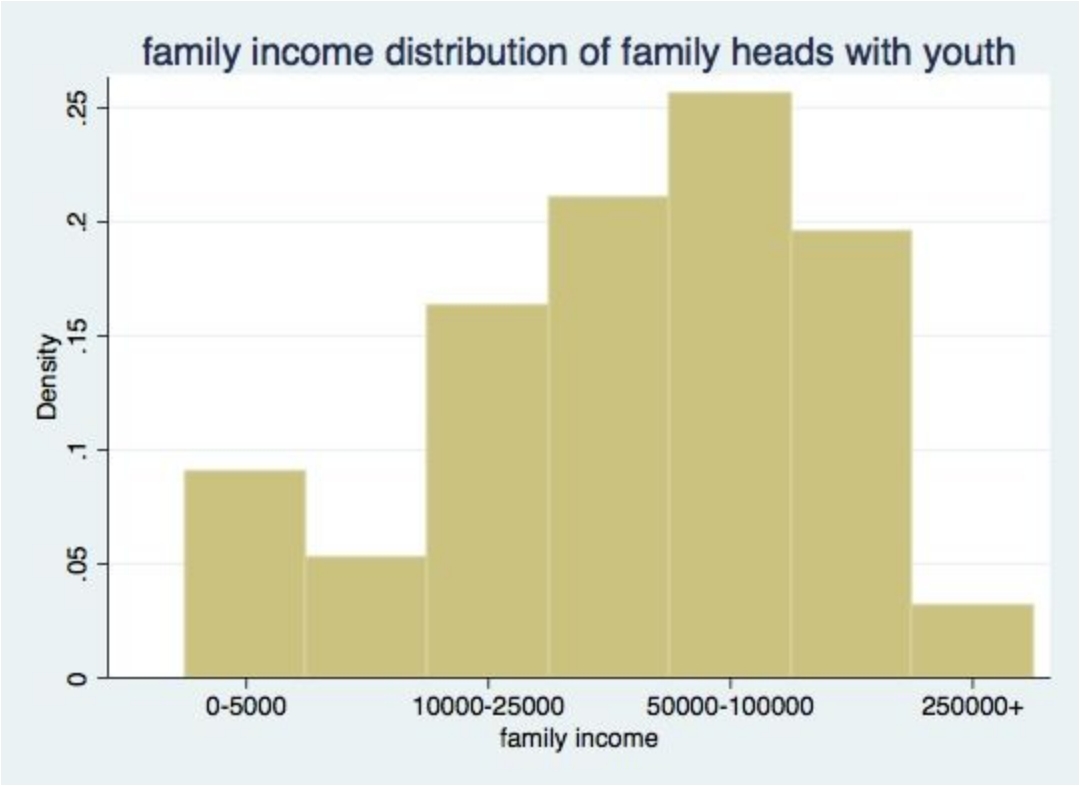

Table 1: Employment Status of Young People

Status	Number of Youth	% of Youth
Employed	21,956,925	53.71
Unemployed	3,688,257	9.02
Not in labor force	15,236,461	37.27

Table 2: Years of Schooling of Young People

Years of Schooling	Number of Youth	% of Youth
N/A or no schooling	177,859	.44
Nursery school to grade 4	50,950	.12
Grade 5, 6, 7, or 8	595,503	1.46
Grade 9	1,697,728	4.15

Grade 10	3,911,218	9.57
Grade 11	5,014,105	12.26
Grade 12	13,881,787	33.96
1 year of college	9,099,535	22.26
2 years of college	1,918,384	4.69
4 years of college	4,067,782	9.95
5+ years of college	466,792	1.14

Table 3: Sex of Young People

Sex	Number of Youth	% of Youth
Male	20,791,906	50.86
Female	20,089,737	49.14

Table 4: Race of Young People

Race	Number of Youth	% of Youth
White	31,459,578	76.95
Black	6,610,882	16.17
American Indian/Alaska Native	430,638	1.05
Asian and/or Pacific Islander	2,281,313	5.58
Other race, non-Hispanic	99,232	0.24

Table 5: Result of Probit Model

	employed
1bn.educ	0.263
	(39.48)**
2.educ	-0.155
	(43.51)**
3.educ	-0.865
	(257.78)**
4.educ	-0.753
	(233.50)**
5.educ	-0.432
	(135.45)**
6.educ	0.35
	(110.98)**

7.educ	0.455
	(143.69)**
8.educ	0.698
	(211.33)**
10.educ	0.723
	(223.59)**
11.educ	0.61
	(158.66)**
2bn.famsize	-0.783
	(851.46)**
3.famsize	-1.104
	(1,229.65)**
4.famsize	-1.188
	(1,280.30)**
5.famsize	-1.22
	(1,210.10)**
6.famsize	-1.213
	(1,020.05)**
7.famsize	-1.236
	(801.25)**
8.famsize	-1.239
	(592.22)**
9.famsize	-1.231
	(442.13)**
10.famsize	-1.137
	(293.46)**
11.famsize	-1.33
	(235.34)**
12.famsize	-1.204
	(187.95)**
13.famsize	-1.256
	(130.15)**
14.famsize	-1.51
	(101.35)**

15.famsize	-0.965
	(45.98)**
16.famsize	-1.581
	(48.14)**
17.famsize	-1.868
	(45.47)**
18.famsize	-1.347
	(39.20)**
19.famsize	-3.16
	(30.31)**
20.famsize	-0.611
	(10.26)**
1bn.finccut	1.086
	(853.47)**
2.finccut	1.527
	(1,455.41)**
3.finccut	1.754
	(1,615.23)**
4.finccut	1.913
	(1,724.54)**
5.finccut	1.985
	(1,715.13)**
6.finccut	1.744
	(1,066.37)**
2.sex	-0.011
	(24.83)**
2bn.racesing	-0.156
	(253.42)**
3.racesing	-0.214
	(99.39)**
4.racesing	-0.379
	(391.40)**
5.racesing	-0.082
	(19.00)**

2bn.statefip	0.079
	(17.34)**
4.statefip	0.056
	(24.69)**
5.statefip	0.078
	(27.69)**
6.statefip	-0.117
	(63.44)**
8.statefip	0.198
	(81.38)**
9.statefip	0.077
	(28.09)**
10.statefip	0.101
	(23.16)**
11.statefip	-0.156
	(28.11)**
12.statefip	-0.042
	(21.72)**
13.statefip	-0.024
	(11.35)**
15.statefip	0.281
	(74.17)**
16.statefip	0.154
	(44.50)**
17.statefip	0.002
	-0.75
18.statefip	0.183
	(79.27)**
19.statefip	0.331
	(115.02)**
20.statefip	0.189
	(66.60)**
21.statefip	0.149
	(58.17)**

22.statefip	0.043
	(17.37)**
23.statefip	0.266
	(64.77)**
24.statefip	0.044
	(18.78)**
25.statefip	0.127
	(54.74)**
26.statefip	0.096
	(45.31)**
27.statefip	0.363
	(146.37)**
28.statefip	-0.013
	(4.65)**
29.statefip	0.187
	(79.37)**
30.statefip	0.246
	(57.21)**
31.statefip	0.314
	(91.51)**
32.statefip	0.092
	(32.15)**
33.statefip	0.238
	(61.28)**
34.statefip	-0.021
	(9.53)**
35.statefip	0.117
	(37.59)**
36.statefip	-0.089
	(45.49)**
37.statefip	0.052
	(24.66)**
38.statefip	0.424
	(87.19)**

39.statefip	0.195
	(92.95)**
40.statefip	0.145
	(55.62)**
41.statefip	0.044
	(16.63)**
42.statefip	0.09
	(43.55)**
44.statefip	0.024
	(5.72)**
45.statefip	0.093
	(37.36)**
46.statefip	0.461
	(92.93)**
47.statefip	0.06
	(26.16)**
48.statefip	0.083
	(44.09)**
49.statefip	0.278
	(102.49)**
50.statefip	0.174
	(31.00)**
51.statefip	0.112
	(50.60)**
53.statefip	0.024
	(10.76)**
54.statefip	-0.051
	(15.06)**
55.statefip	0.315
	(130.77)**
56.statefip	0.319
	(58.02)**
_cons	-0.821
	(223.84)**

N	41,288,508
* p<0.05; ** p<0.01	

Table 6: lowest likelihood job distribution by sex and race

Job Recipient	Male Youth	Female Youth	White Youth	Black Youth	AI/AN Youth	Asian Youth	Other race Youth
No	151,749,796	158,442,139	247,658,919	41,673,126	2,701,850	17,510,764	647,276
Yes	102,683	271,325	267,029	74,533	8,790	22,521	1,135

Table 7: lowest likelihood job distribution by income

Job Recipient	Family Inc 0-5k	Fam Inc 5-10k	10k-25k	25k-50k	50k-100k	100k-250k	250k+
No	12,532,897	10,789,787	43,540,353	68,839,446	92,411,667	69,803,697	11,837,625
Yes	274,332	43,732	32,848	16,413	5,210	1,192	281

107486 families out of poverty

Table 8: highest likelihood job distribution by sex and race

Job Recipient	Male Youth	Female Youth	White Youth	Black Youth	AI/AN Youth	Asian Youth	Other race Youth
No	151,740,785	158,451,150	247,702,798	41,663,870	2,698,204	17,480,939	646,124
Yes	111,655	262,353	223,352	83,747	12,415	52,211	2,283

Table 9: highest likelihood job distribution by income

Job Recipient	Family Inc 0-5k	Fam Inc 5-10k	10k-25k	25k-50k	50k-100k	100k-250k	250k+
No	12,675,312	10,783,057	43,482,914	68,796,771	92,383,987	69,797,431	11,836,000
Yes	132,567	50,418	90,010	58,902	32,778	7,434	1,899

75143 families out of poverty

Summary of Bill

The bill establishes a fund initially endowed with $5.5 billion to be used by the Secretary of Labor to employ young americans. Young for the purpose of the act is defined as those in the ages of sixteen to twenty-four inclusive. $4 billion gets used to provide summer and year round employment for low-income youth, while the other $1.5 billion is used for competitive grants which are to be granted to local entities to carry out work based training and education to provide necessary skills to gain future employment. The $4 billion dollars gets divided between states and then further between Public Use Microdata Areas (PUMA) within each state. .5% of the funds gets divided equally between the states, for the initial endowment this comes to $20 million for each State. The remaining $3 billion is divided between the states on the basis of the relative amount of youth to the overall amount of youth, the relative amount of unemployed relative to the overall unemployment level, and the relative number of disadvantaged young adults compared to the overall number. A disadvantaged young adult is one who is 16-24 and lives in a household whose income is one which does not exceed the higher of the poverty line for their family size, or 70% of the lower living standard income. The lower living standard income was established in the Workforce Innovation and Opportunity Act as a regional minimum standard of living and is used in many other employment programs to determine eligibility. It helps alleviate some of the many problems with using the federal poverty line. After the money is allocated in this way to the states, the money is allocated within the State to each PUMA. The money is divided between PUMAs by calculating the relative number of youth, unemployed, and unemployed youth compared to the total for the state. For example the formula yields $300 million dollars that go to California, then the formula allocates $1.7 million to the Lancaster PUMA which has .41% of the State's youth and .43% of the State's unemployment.

While the money is allocated formulaically, the state's and local boards must submit plans for how they plan to correctly use the funds in order to receive the money. In general the funds must be made available to provide summer and year round employment opportunities for

youth. The priority is to identify opportunities that are in emerging or in-demand occupations in the local area, in the public or nonprofit sector in order to meet community needs, or opportunities that lead to activities that will provide industry-recognized certificates or credentials. No more than 5% of the funds allocated to each area can be used for administrative purposes, the rest of the money must make its way into the hands of disadvantaged youth, which means more can be spent on administration duties if young americans are employed to do so. While the bill does not provide specifics on how each local area would identify or create these opportunities, past experience shows that administering programs like this through community colleges and workers centers has provided lasting impacts on the communities (Benner).

The allocation of the remainder of the funds, the $1.5 billion in grants, would work differently. Here the bill specifies that in order to receive a grant the application must be in partnership with a chief elected official and the local board for the local area involved, or be an entity eligible for a grant under section 166 of the Workforce Innovation and Opportunity Act. Then the bill lists potential entities for partnerships, which also seems like likely candidates for groups that would administer the first $4 billion. These include employers or employer associations, adult education providers or postsecondary educational institutions including community colleges, community-based organizations, joint labor-management committees, work-related intermediaries, and labor organizations that sponsor training or employment upgrade programs. In the applications specifics must be included for how the eligible entity will provide unemployed low-income youth with skills that will lead to employment, along with a laundry list of other criteria which will help determine the ideas which would have the most impact, which in this sense means lifting the marginalized youth in America out of unemployment. The goal is to give unemployed young adults entry into, and retention in, unsubsidized employment and attainment of industry recognized credentials.

Conclusion

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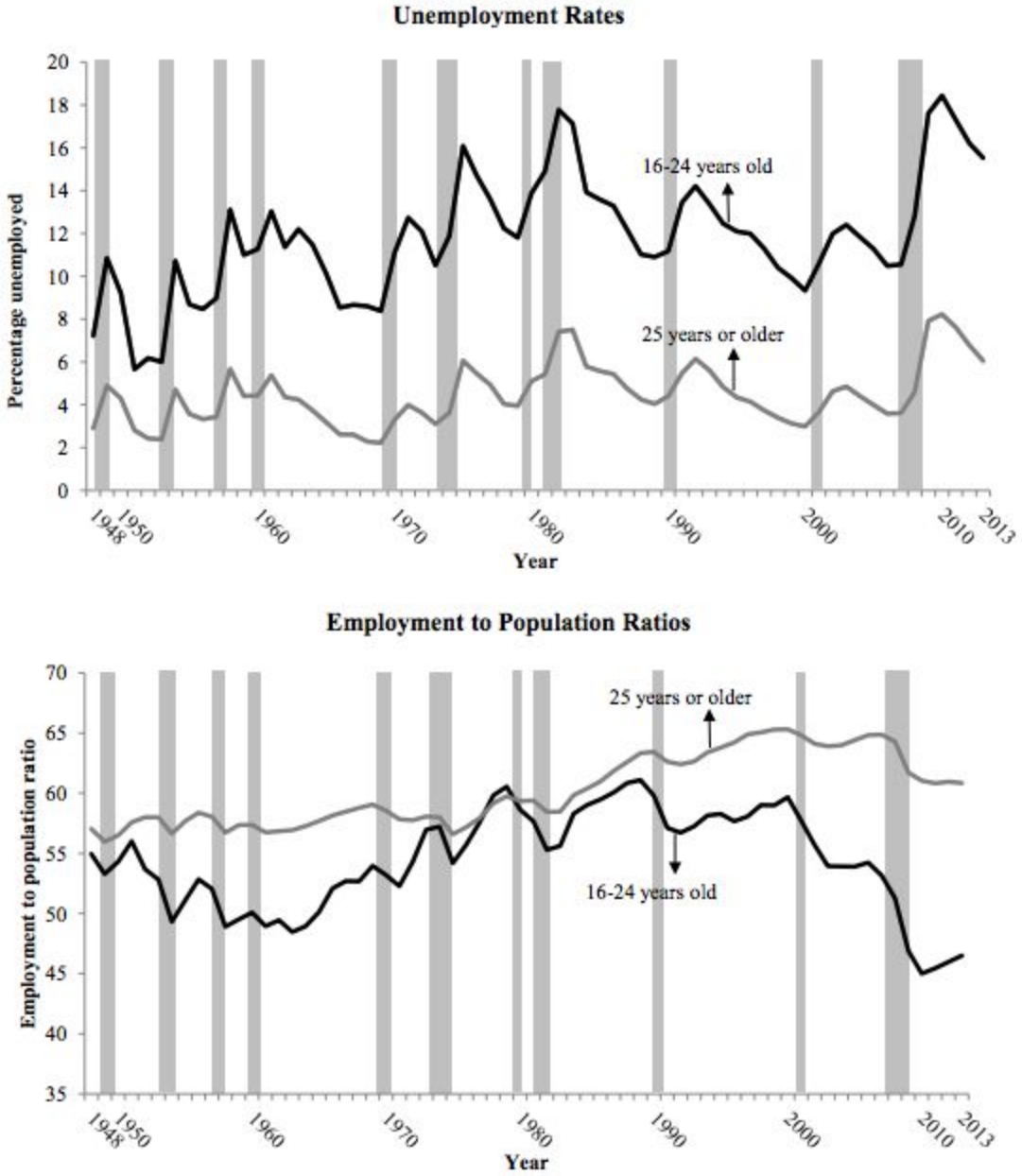
91. These policies can be grouped by the main objective and impact they aim to attain with respect to youth employment, such as:

- policies and programmes for increasing employment creation and affecting the demand side: these include growth and economic policies, the promotion of entrepreneurship and self-employment, and public employment creation programmes;
- policies and programmes for facilitating the transition from school to work: these include supply side measures such as education and technical and vocational training policies; active labour market policies (ALMPs) such as wage subsidies, tax exemptions and job search counselling, that facilitate the matching between demand and supply;
- labour market policies for improving the quality of youth employment, and policies for improving the social protection of young workers;
- policies for protecting rights, for promoting the respect for labour standards, and for strengthening social dialogue to ensure greater participation and voice for young workers.

ILO^

Youth Unemployment, 1948-2013



SOURCES: Bureau of Labor Statistics (2013) and National Bureau of Economic Research (2013).

Hossain

Make similar tables:

Table 7 Distribution of Youth Unemployment by Educational Attainment (aged 15–29), 2014Q3

Highest Level of Educational Attainment	Persons	Percentage	Cumulative	Cumulative Percentage
Primary education (6 years – Dimotiko) or less	21,976	5.9	21,976	5.9
Gymnasio (3 years of secondary education)	29,297	7.8	51,274	13.7
Lyceum (3 years beyond Gymnasio)	154,139	41.3	205,412	55.0
Technical education institutions (TEIs)	52,585	14.1	257,997	69.1
Bachelor's degree (university)	110,134	29.5	368,131	98.6
Ph.D. or master's degree	5,118	1.4	373,250	100.0
Total number of unemployed	**373,250**	**100.0**		

Source: Eurostat, LFS; authors' calculations

Table 8 Distribution of Unemployment by Age and Educational Attainment, 2014Q3 (in percent)

Highest Level of Educational Attainment	15–29	15–64	Cumulative 15–29	Cumulative 15–64
Primary education (6 years – Dimotiko) or less	5.9	13.5	5.9	13.5
Gymnasio (3 years of secondary education)	7.8	11.7	13.7	25.2
Lyceum (3 years beyond Gymnasio)	41.3	38.4	55.0	63.6
Technical education institutions (TEIs)	14.1	11.7	69.1	75.3
Bachelor's degree (university)	29.5	22.9	98.6	98.2
Ph.D. or master's degree	1.4	1.8	100.0	100.0
Total	**100.0**	**100.0**		

Source: Eurostat, LFS; authors' calculations

Levy^