

**RECONNECTING DISADVANTAGED YOUNG MEN:**

**Improving Education and Employment Outcomes**

Summary of a Report to the Hewlett Foundation

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It has been estimated that roughly three million less-educated young people between the ages of 16 and 24 – about half of whom are young men – are disconnected from the worlds of school and work for substantial periods of time. Changes in welfare policy and related efforts addressed some of these issues for young women in the 1990's (albeit with mixed results), but young men have gotten less attention – except through more stringent criminal justice measures.

This brief report summarizes our main findings and recommendations regarding disconnected young men. Our analysis and policy suggestions are developed at greater length in our forthcoming book – *Reconnecting Young Men: Improving Education and Employment Outcomes* (Washington DC: Urban Institute Press, 2005). They do not purport to cover all possible areas for action, but we believe they are important and valuable.

### **Characteristics of Disconnected Young Men and the Labor Market**

Both school enrollment and employment rates have been growing in recent years among less-educated women but have grown less or declined among their male counterparts. In fact, post-secondary school enrollment rates of young women exceed those of young men in virtually each racial/ethnic group. Employment of young low-income women in the past decade has been increased by a number of policy initiatives, such as welfare reform and the growth of income supports for working parents (such as subsidized child care and the Earned Income Tax Credit). In contrast, low-income young men without custodial children benefited little from these developments, and in some cases actually lost ground.

Of all groups, young African-American men have the lowest employment rates and the highest rates of disconnection – especially once we include those who are incarcerated in our calculations. Indeed, their employment declined and idleness rose throughout the 1990s. While young Hispanic men - especially immigrants - work at high rates, their rates of school attendance and completion lag seriously behind those of both young non-Hispanic whites and blacks, which limit their later advancement. Thus, the problem of poor schooling and labor market disconnection fall most heavily on young minority men.

Educational attainment lags behind for minorities, and test scores especially lag behind for African-Americans; and, in a labor market where the rewards have clearly shifted away from less-skilled workers, these “achievement gaps” contribute to their lower employment and earnings relative to whites. But, at any level of education or test scores, the employment rates of young African-American men still lag well behind those of whites. The difficulties they have gaining early work experience often deny them access to on-the-job training for many occupations.

Some additional developments have reduced their incentives to work, and thus their desire to participate in the labor force, as well as the willingness of many employers to hire them. As good blue-collar jobs disappeared in large numbers over the past few decades, the wages available to less-educated young men declined. During the 1990's, the number of young black men with criminal records rose dramatically, making many employers reluctant to hire them, and diminishing their own connections to the world of work. Also, changes in the child support system imposed heavy taxes on the already meager earnings of the many young black men who are noncustodial fathers of children.

As we consider appropriate policy remedies, it is also important to bear in mind some major trends in the broader labor market. As is widely known, employment and wages have risen most rapidly in jobs where higher education and cognitive skill needs are greatest. At the same time, considerable future hiring will occur in various occupation and industrial categories (particularly in health care, construction, transportation, wholesale trade, and some parts of manufacturing) where educational needs are more modest, and – at least in some cases – where wages are at or near the national average. As baby boomer retirements begin to unfold, a great deal of “replacement hiring” will take place in those sectors, even if little net new growth is occurring. Economic studies also continue to show that there are strong labor market returns to early work experience and on-the-job training, even for those without college degrees.

We therefore conclude that policies to raise the numbers of young men connected to the labor market should focus not only on their academic achievement and postsecondary educational attainment, but also on improving their occupational skills, early work experience and on-the-job training, especially before they leave high school or just afterwards. These efforts should improve their access to jobs with moderate skill requirements that will become available as baby boomers retire. At the same time, we must improve their incentives to remain connected to school or work; and we have to address the special problems of youth offenders and young noncustodial fathers.

Accordingly, we focus on a range of *education and training* approaches for adolescents, teens, and young adults. We also advocate attempts to *improve the incentives to work* among those facing low wages by raising the minimum wage and extending the Earned Income Tax Credit to young men without children; and we call for *reducing barriers* associated with previous incarceration and non-custodial parenthood.

### **Education and Training**

There are generally four components to education and training policy for youth at the federal and state levels. These four components include: 1) Youth development efforts, such as afterschool and mentoring programs for adolescents and early teens; 2) High School programs, including Career and Technical Education (CTE), School-to-Career efforts (such as apprenticeships), and independent alternative schools for at-risk youth or those who have already dropped out; 3) Community Colleges, and especially efforts to improve access to them for low-income youth; and 4) Training programs for disadvantaged out-of-school youth. Some training programs do not focus on youth *per se*, but serve them (as well as other clients) by developing strong ties to employers. These ties might help overcome employer reluctance to hire young black men, and deserve attention as well.

Within most of these areas, there are approaches and programs that have been rigorously evaluated and appear to be cost-effective. These include youth development programs like Big Brothers/Big Sisters (and, to some extent, Quantum Opportunities); school-to-work programs like the Career Academies; post-school training programs like the Job Corps and Youth Service Corps; and programs for adults, such as the Center for Employment and Training in San Jose. There are other efforts – such as the Harlem Children’s Zone and YouthBuild – that have not yet been rigorously evaluated but that we consider quite promising on the basis of demonstrated outcomes.

Some other policy efforts also seem compelling. For instance, there are strong arguments in favor of greater funding for Pell grants, and for loosening eligibility restrictions that deny these grants to those with criminal convictions. More federal support could also be provided for employer-sponsored apprenticeships and internships, in light of the strong evidence of positive returns to training that workers receive in the private sector. Other high school reform efforts – such as those recently proposed by the National Governors’ Association - emphasize smaller schools, higher academic standards, more testing, and so forth. These could potentially be helpful, so long as they incorporate both academic and labor market preparation (as the Career Academies have done) and do not focus too exclusively on testing.

Finally, we need to develop not only specific education and training programs, but also effective community-wide systems for youth. These would keep many young men from falling through the cracks when they drop out of school, and would help develop comprehensive ranges of services at the local level. The Harlem Children Zone is one example of a private, local effort that provides comprehensive services at an impressive scale. The After School Matters (ASM) program in Chicago is a city-sponsored attempt to do so. The Youth Opportunities program of the U.S. Department of Labor is the first federal attempt to publicly fund such efforts in 36 low-income communities across the country.

Accordingly, we propose the following:

- Funding should increase for proven programs- like the Job Corps, Youth Service Corps, and Career Academies - and for programs that are similar to these. Federal funding for youth programs should be gradually and continually increased both in programs with dedicated funding (such as the Job Corps and YouthBuild) and also in formula and competitive streams under the Workforce Investment Act. Funding for CTE and school-to-career efforts should be maintained under the Perkins Act, though perhaps with less formula funding and more distributed through competitive grants. In the meantime, states and localities should be encouraged (through technical assistance, revised performance standards, and the like) to change the way they allocate formula funding, so as to make greater use of effective models. In addition, Pell grant funding should increase and be made available to those with criminal convictions who have been released from incarceration.
- The Federal government should continue to encourage the development of local community-wide education and training systems, which build on the achievements and lessons generated by the Youth Opportunity programs. The existing YO sites should continue to be funded and upgraded, while newer sites are added as well. Efforts to build local infrastructure, and to improve the incentives of local governments to track disconnected young people, are central to these efforts.
- The Labor Department should also develop a new program to provide greater support for employer-provided apprenticeships and internships, with significant direct employer involvement in the development of standards for education and training and their implementation.
- An aggressive program of rigorous evaluation should be undertaken by the U.S. Departments of Labor and Education, especially with regard to

alternative schooling models (such as those that blend high school and community college attendance for those with poor records) and high school reforms more broadly.

### **Improving Financial Incentives**

A clear body of research evidence suggests that the declining wages of less-educated young men has been a major reason for their declining employment and labor force participation rates. Furthermore, the large increases in the EITC for low-income custodial parents in the 1980s and early 1990s clearly improved the labor force participation rates of single mothers over that time period. Other programs, such as New Hope, which guaranteed employment and benefits (such as health care) to low-income workers, also generated some increases in labor market activity among young men.

Accordingly, we believe that major efforts should be made to directly raise the earnings of low-income men. One way of doing so is to raise the federal and/or state minimum wages. This approach runs some risk of discouraging employers from hiring less-skilled youth, but we believe that modest increases would keep such risks to a minimum while encouraging young men to remain attached to the labor market. Thus, we propose:

- The federal minimum wage should be increased to roughly 45% of the mean average wage in the economy for production workers (which currently would be roughly \$7.00), and should not be allowed to fall significantly below that level in the future; and
- States should raise their own minimum wages if the federal government does not, especially as labor markets tighten over time.

An additional way of raising the earnings of less-skilled workers is to do so through publicly-financed subsidies or tax credits. These might not focus on youth *per se*, but we think they would encourage youth to remain connected to school and work as they look to and prepare for their adulthood. Options for doing so include: 1) A broad-based subsidy for all low-wage workers; 2) A major increase in the EITC that is paid to childless adults; or 3) An extension of the EITC targeted to low-income non-custodial fathers who are paying all or most of their current child support payments.

Of the three approaches, the broad-based wage subsidy would potentially have the largest effects on reducing labor market inequality. But it is by far the most expensive, would be somewhat difficult to administer (as there is currently no mechanism by which hourly earnings are reported to the government), and would provide benefits to many low-wage workers who are not necessarily in low-income families.

Currently the EITC provides refundable tax credits for low earners with children, and provides very small amounts to adults without children. The fact that EITC payments are based on family income eliminates the problem of low earners in higher-income families who might receive subsidies; but it generates a “marriage tax” by discouraging the formation of two-parent families in which both parents work, since low-income single parents are more likely to lose eligibility for the credit if they get married. This problem can, however, be ameliorated in a variety of ways, such as by treating second earners differently from first earners in computing the family income levels at which EITC benefits are phased out.

The targeting of the EITC to non-custodial fathers is the least expensive of these approaches. It is administratively feasible. Some might think that it rewards those who have fathered unwed children, but we believe that, on balance, it would encourage more employment among non-custodial parents, more support for their children and better parenting among non-custodial fathers, and less crime. Thus:

- An EITC with payments below those accruing to custodial parents of children should be provided to non-custodial parents paying their child support. Increases in payments to adults without children more broadly should ultimately be considered as well.

### **Reducing Barriers Facing Non-Custodial Fathers and Ex-Offenders**

Particularly in the African-American community, young men are quite likely to be non-custodial fathers and to have prison records. Indeed, by age 34 up to half of black men are non-custodial fathers and perhaps 30 percent have been to prison. We uncovered strong evidence that both of these factors discourage labor force participation. Prevention strategies are needed to reduce the incidence of births outside of marriage and the rates of incarceration; our suggestions mostly respond to the facts of high incarceration and unwed fatherhood as they are now.

Non-custodial fathers face fairly steep child support orders, relative to their income. Their obligations are often set in absentia and by judges without any knowledge of their personal earnings capacities. Arrears pile up frequently, especially among those who are incarcerated; and up to 65 percent of earnings can be garnished to pay these arrears. And much, and often all, of the child support payment is not “passed through” to families by the states, further lessening incentives of low-income men to work in the formal economy and pay these obligations.

Young offenders face a range of barriers to school and work. In many ways these parallel the barriers faced by adults with criminal records – such as their own poor skills, mental health and substance abuse problems, and employer reluctance to hire them. But when young men (and occasionally women) have criminal records, there are added complications – such as their dependence on families and the ambiguities over whether and where they should be accepted for or returned to school. The fragmentation and disconnection that exist among criminal justice, school, employment and local government compound these difficulties and enable many such offenders to fall through the cracks with minimal support or supervision.

To deal with issues facing non-custodial parents, we suggest:

- Reforming the processes by which child support orders are set for low-income fathers, to ensure that they more accurately reflect the fathers’ circumstances and earnings capacities;
- Promoting arrearage forgiveness options for low-income fathers who are making good-faith efforts to meet their current orders;
- Encouraging more states to pass through income collected from NCP’s to their low-income families; and
- Piloting and evaluating efforts to provide greater employment assistance to low-income fathers - including public employment options and stipends for periods when they are in training.

Many of these efforts should occur at the state levels of government, though the federal government could encourage changes at the state level with financial incentives and technical assistance. Efforts to evaluate the approaches similar to these that already exist at the state and local level would be welcome as well.

For young offenders, we recommend the following:

- Expanding opportunities for education, training and/or work experience for young offenders while they are still incarcerated;
- Providing more funding for prisoner reentry efforts, with particular set-asides for young offenders;
- An aggressive evaluation agenda of school, employment and after-care programs for young offenders (taking care, as in any area, not to draw policy conclusions prematurely from data not gathered over a long enough time period); and
- Greater support for developing institutional linkages between the criminal justice system and others, such as schools, employers, and community-based organizations, along with clearer incentives for these groups to monitor the progress of young offenders after release.

### **Getting Started**

Despite the clear fiscal restraints under which federal and state governments will continue to operate, it would be a tragic error for the federal government to cut resources for investments in youth over the next several years. Even with optimal program management, the resources currently being expended fall far short of the needs. Progress on employment among young single mothers occurred in the 1990s not only because of aspects of welfare reform, but also because the federal government invested tens of billions of dollars – through expansions of the EITC, child care expenditures, and the reallocation of funds from cash assistance to work supports under TANF – into employment supports for this population. The kinds of increases we envision for low-income youth would be much smaller than those in magnitude, and would be trivial in comparison to the overall federal budget. Yet, they could still make important differences for disconnected youth.

But concerned policymakers at the state and local levels should also take their own affirmative steps in addressing these problems. On a set of policies – including education and training (and especially the building of youth-serving systems), child support policies, and programmatic efforts for young offenders – state and local leaders can undertake initiatives and begin to implement new strategies, even in the absence of federal leadership.