

W.E.
UPJOHN INSTITUTE
FOR EMPLOYMENT RESEARCH

**Employment Research
Newsletter**

Volume 22 | Number 2

Article 1

2015

Sectoral Initiatives and Opportunity Youth

Kevin Hollenbeck

W.E. Upjohn Institute for Employment Research, hollenbeck@upjohn.org

Citation

Hollenbeck, Kevin. 2015. "Sectoral Initiatives and Opportunity Youth." *Employment Research* 22(2):1-3. [http://dx.doi.org/10.17848/1075-8445.22\(2\)-1](http://dx.doi.org/10.17848/1075-8445.22(2)-1)

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Employment Research

APRIL 2015

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Employment Research is published quarterly by the W.E. Upjohn Institute for Employment Research. Issues appear in January, April, July, and October.

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W.E. Upjohn Institute
for Employment Research
300 S. Westnedge Avenue
Kalamazoo, MI 49007-4686
(269) 343-5541
www.upjohn.org

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Sectoral Initiatives and Opportunity Youth

An estimated 6.7 million individuals in the United States are between the ages of 16 and 24 and are not employed, not in school, and have not earned a postsecondary credential. An acronym that is applied to these individuals is NEET (not employed or in education and training). A more hopeful appellation is opportunity youth (OY). This article is based on a recent policy paper (Hollenbeck [2014]; see http://research.upjohn.org/up_policypapers/18) that reviews policies targeted at OY and examines the extent to which sectoral initiatives, which operate on the demand side of the labor market, can help to facilitate pathways into productive careers.¹

Sectoral Initiatives

Workforce development sectoral initiatives have evolved from the work of Michael Porter (1990, 1998, 2000) on the economic development advantages of industrial clusters. Such clusters involve collections of regionally based companies operating horizontally or vertically in the same industrial sector(s) in order to exploit localized agglomeration economies. These economies, or positive externalities, are at least threefold:

- 1) Benefits that arise from an accessible labor pool with appropriate skills; not only do incumbent workers possess the needed skills heightened by on-the-

job training and experience, but training institutions in the region that are meeting the local demands are likely to offer to potential workers the skills training that is suitable to the cluster.

- 2) Development of supplier firms (second- and third-tier firms) that keep inputs available and presumably competitively priced.
- 3) Network effects: proximity facilitates communication flows that may lead to innovation, business-to-business transactions, and increasing interdependence.

Workforce development entities, recognizing the need for involvement of private sector and other employers in order to be successful, have formed partnerships with firms in clusters. We refer to these partnerships as sectoral initiatives. A major advantage of these initiatives is that the workforce systems develop networks with employers that allow them to more effectively train and place customers (see Conway and Giloth [2014]). From a workplace development perspective, sectoral initiatives narrow or bound the occupations that trainees can focus on, and they are a convenient venue from which to derive employer input into training delivery and job development.

An important structural element of workforce development sectoral initiatives is the intermediary that organizes and convenes (in person or virtually) the participants. In general,

employers focus on their own production issues (inputs, throughputs, and outputs) and maintain their customer base. Furthermore, employers are engaged in competition with other employers. Educators and workforce development agencies typically focus on providing services to customers needing skill training and job search assistance. Often, the educational and workforce agencies consider themselves to be in competition as well. An intermediary organization (which sometimes may come from the education or workforce development side of the market) brings together employers,

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educators, and workforce development agencies to identify and exploit areas in which collaboration among the entities is possible and beneficial. In some instances, the collaboration may bring in economic development agencies, philanthropic organizations, governmental agencies, or others with an interest in the economic or community development goals of the initiative.

On the supply side of the labor market, the intermediaries get involved in recruitment; provision of services, such as training; provision of or referral to support services, as necessary; placement; and follow-up assistance. On the demand side of the labor market, the intermediaries conduct job development, organize and communicate with the sectoral network of firms, and help them meet their labor market needs.

Evidence about the Impact of Sectoral Initiatives on OY

Maguire et al. (2010) is usually considered the most rigorous evaluation of sectoral initiatives. This study features a random assignment framework for evaluating the net impact of sectoral initiatives on the employment and earnings of individuals at three fairly large, established workforce development programs: Wisconsin Regional Training

Program (WRTP) in Milwaukee, Jewish Vocational Services (JVS-Boston), and Per Scholas in Brooklyn. These programs serve individuals of all ages with several different employment barriers, but in particular, around 30 percent of the clients are aged 18–24. The WRTP program provides short-term preemployment training in construction, manufacturing, and health care; JVS-Boston provides training in preparation for jobs in medical billing and accounting; and Per Scholas focuses on computer technician occupations.

Maguire et al. (2010) find quite positive outcomes for the overall population of participants—annual earnings increases of \$4,500 (about 18 percent), more months of employment, higher wage rates, and a greater likelihood of holding jobs with benefits. Most of the positive outcomes occurred in the second follow-up year. For youth aged 18–24 in 2003, when data from all the sites were pooled, the statistically significant net impacts were about \$3,100 in annual earnings in the second year, one month of extra employment in the second year, 237 hours of employment in the second year, 2.7 extra months in the first year with a wage rate over \$11 per hour, and 2.0 extra months in the second year with a wage rate over \$11 per hour.² Whereas the report does not break out the quantitative results by site for the youth subgroup, the text notes that youth at the JVS-Boston site did particularly well vis-à-vis the control group. Maguire et al. (2010) suggest that this may have occurred because of particularly effective supports at that site.³

Gasper and Henderson (2014) assess the employment and earnings outcomes of individuals who participated at one of three Career Centers in New York City. They also find statistically significant impacts for youth aged 18–24. The three sectoral initiatives are the Transportation Career Center, the Healthcare Career Center, and the Manufacturing Career Center. The study uses a quasi-experimental approach that statistically matches individuals who received services from the sector-focused career centers to individuals who received services at the Workforce 1 Career Centers in New York City (the city's one-

stops). The percentage of participants in the 18–24-year-old age range in this study is only about 12 percent compared to 30 percent in Maguire et al. (2010).

Nevertheless, Gasper and Henderson (2014) find statistically significant employment and earnings impacts for youth aged 18–24 in the first year after program exit.⁴ The net impact of the sector-focused career centers on employment in the fourth quarter after exit was 3.8 percentage points, or about 6 percent. This was statistically significant. Also statistically significant was the net impact on total earnings for the four quarters after exit—\$3,294, a percentage increase of about 30 percent. In short, this evaluation presents quite strong evidence that a sectoral initiative can have positive employment and earnings impacts on young people aged 18–24.

Policy Recommendations

Whereas the focus of the review paper is on the demand side of the labor market—that is, how workforce development sectoral initiatives can help to engage OY in employment or training activities—it should be noted that a root cause of the disengagement of many youth is a poor experience or preparation in high school. Strengthening career and technical education, and in particular, integrating work-based learning

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opportunities, may make high school more relevant and interesting for at-risk students and may stem disengagement. The intermediaries and workforce development partners in sectoral initiatives should ensure that partnerships include K–12 districts, particularly the career and technical education administrators of those districts, and firms should make an effort to serve on career and technical education advisory committees and offer internships or other work-based learning opportunities.

In considering the liabilities and needs of OY, overcoming technical or

employability skill deficiencies and simultaneously providing means of support imply solutions that pair “learning and earning.” Apprenticeships are an obvious model, wherein individuals are employed and receiving on-the-job training, while also pursuing related academic instruction. Traditionally, apprentices are older than 24, but programs such as the Wisconsin Youth

Most research on youth programs note that it is a hard demographic in which to make a lot of progress and bring programs to scale.

Apprenticeship model serve high school students.⁵ Again, this kind of program can engage youth who might otherwise flounder in high school and drop out.

Because members of the OY population are not engaged in training or education, outreach to these young people may present a challenge. As a consequence, it would seem incumbent upon workforce intermediaries or other workforce development agencies to have the capability to immediately assist any young person who happens to encounter the agency. Technology should be available to allow an individual to complete a skills and competency inventory and output a resume on a flash drive. Private sector employers who are on workforce boards or are otherwise involved in sectoral initiatives should participate in career fairs for youth, at which they can engage in mock interviews and critique the job search and interview skills of participants.

Many OY have entrepreneurial skills that can and should be triggered. Well-publicized competitions or mentorships with successful entrepreneurs are strategies that may capture and display entrepreneurial abilities. The policy paper cites an example in Paris, where an annual competition called Talent Revealers is staged in which the most successful young entrepreneur is recognized and given a cash prize of 12,000 euros, which is contributed by companies.

As a closing note, it should be recognized that there is no “silver bullet”

that solves all the issues for OY. Marginal progress may be the best that can be accomplished. Whereas some studies find positive outcomes for some programs, most research on youth programs note that it is a hard demographic in which to make a lot of progress and bring programs to scale. One lesson that has emerged from the existing literature is that adequate planning is a necessity. A good example to study is the New York City Young Adult Sectoral Employment Project (see JobsFirstNYC [2014]). The lesson from this initiative is that it is best to go slowly and get potential intermediaries and employers together to jointly formulate interventions before actually enrolling youth.

Notes

1. Funding for the paper was provided by the Rockefeller Foundation and the Pew Charitable Trusts. I would like to thank Jennifer Thornton of the Pew Charitable Trusts for her thoughtful guidance in developing the paper. The views expressed in that paper and in this article are solely mine and do not necessarily reflect those of the supporting institutions.
2. The control group worked, on average, 7.4 months of the second year and averaged 1,095 hours for the year. The treatment group worked, on average, 8.4 months of the second year and averaged 1,332 hours of work for the year.
3. Maguire et al. (2010) note that there were no statistically significant impacts at the WRTP or Per Scholas sites for youth, which means that positive results were not sizable enough relative to their standard errors to be statistically significant.
4. At first blush, it appears as though the timing of the positive outcomes for the two evaluations differs. However, the difference is likely due to the baseline starting point. The Maguire et al. (2010) random assignment evaluation measures outcomes relative to the start date, whereas the Gasper and Henderson (2014) evaluation measures outcomes relative to the program’s exit date.
5. Sum et al. (2014) indicate that Georgia and South Carolina also have developed youth apprenticeship programs.

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Kevin Hollenbeck is vice president, senior economist, and director of publications at the Upjohn Institute.