

900
P.P. 2/478

Youth Employment RKO

Expressed concern over the increasing problem of youth unemployment led officers to commission a background paper by Professor Lester Thurow of the Massachusetts Institute of Technology on Youth Unemployment. Professor Thurow's background paper, which reviewed the dimensions of the problem and explored policy alternatives, served as the basis for a conference on Unemployment of Youth and Policy Alternatives held at The Rockefeller Foundation. RKO summarized the conference for the Trustees. The summary, Professor Thurow's background paper and an edited transcript of the conference, "Youth Unemployment," and has been widely distributed and quoted.

Based on the reaction to the working paper, "Youth Unemployment," officers recommended two program activities: (1) Problems concerning employment of minority youth with particular reference to urban areas should be included as a priority area in the Foundation's Equal Opportunity program. (2) Youth unemployment appears to be a national and international problem of such dimensions that the Foundation should explore possibilities of support to selected individuals and institutions in order to achieve better understanding of the problem. The primary objective is to explore policy alternatives and programs which would lead to an increase in the employment opportunities for youth.

Not only has unemployment of youth increased but, it appears that during the past few years the gap between the unemployment rates of adults and young workers has widened disturbingly. There is evidence that while part of the problem is of a cyclical nature there is also evidence that the problem is more of a structural one and that while short-term measures may help to relieve the cyclical problem there is need for more effective longer-term action than has been taken thus far if any structural change is to be achieved. This calls for a better understanding of the problem and

of new and imaginative approaches affecting the educational and training establishment as well as the labor market. It would appear that this will require a joint effort on the part of governments, educational, employment authorities, employers, trade unions, and voluntary bodies.

The conference at the Foundation on youth unemployment agreed that in broad terms there are two major policy alternatives for reducing the youth unemployment problem. (1) Attempts could be made to increase the private sector demand for young workers by lowering effective real wage costs to employers. (2) Attempts could be made to increase the demand for young workers through government employment programs. The Federal government could either sponsor these directly or finance the employment plans of state and local governments or non-profit institutions. Given the size of the Federal government funding, conference members went on to suggest a number of program activities which the Foundation might wish to consider and those included in RKD's report to the Trustees are:

1. Research on youth labor market problems which would include: studies on what kinds of public employment jobs can be created; micro-studies on youth employment in particular labor markets and specific industries; and studies on what kinds of jobs meet the constraints of being both useful and something that youth regard as useful.
2. Support for careful evaluation studies of previous projects, to determine: what happened at the local level in numerous youth employment programs; the reasons for their success or failure; and the replicability of successful programs. Officers have been told repeatedly that we have not learned from past programs - careful evaluations have not been undertaken.
3. Support for studies that would assess the experiences of other nations and their relevance to the United States problem.

4. Support for research on the substitutability between different groups of workers in the labor markets in different industries.
5. Studies of the impact of wage subsidy programs on the competitive positions of firms in and between different industries.
6. Investigation of ways to make widely available an assessment of what has been undertaken up to now and the various experiences of people in different programs in different cities and regions of the country.
7. Strong support for studies that would evaluate future programs being funded under federal, state, and local auspices to respond to youth unemployment problems.

It has been suggested that vigorous and sustained demand is the single most effective means of reducing unemployment but this also raises the problem of continuing inflation and how to simultaneously increase youth employment without increasing inflationary pressures.

Following the December 1977 meeting of the Trustees, officers have been exploring the feasibility of support for the establishment of a national commission or committee on employment of youth. Simultaneously officers have been talking with a substantial number of individuals in universities, research institutes, government agencies, and foundations who have ongoing programs with some concern for the problems of employment of youth. If a commission were established it would need substantial research, analysis, reviews and policy alternative papers as a basis for a report. Consequently, during the period that the feasibility of the establishment of such a commission is under discussion officers have recommended two appropriations and will undoubtedly wish to recommend others dealing with aspects of the problem which would be following the recommendations of the conference working paper. These would be of substantial value in themselves and would also provide important background and information and alternatives for a national commission.

Among the various individuals that officers have talked to or arranged meetings with include a meeting of JHK, RKD, and CCG with the Secretary of Labor Ray Marshall, officer discussions with Dr. Robert Taggart, head of the office of youth programs, Department of Labor, individuals on the staff of the National Urban League, the NAACP, the National Child Labor Commission, 20th Century Fund, programs officers in the Ford Foundation, researchers in institutions such as Professor Martin Feldstein, President, National Bureau of Economic Research, Professor Irving Garfinkel, and Professor Robert Haveman of the Institute for Research on Poverty at the University of Wisconsin, Dr. Joseph Pechman of the Economics Division of Brookings Institution, Dr. George Johnson, staff of the Council of Economic Advisers, and individual researchers in universities and research institutes throughout the country. Officers also anticipate meeting with individuals in institutions in the United Kingdom and on the continent who are involved with research or program evaluation of youth employment issues.

Officers have talked with Professor ^{Gordon} Robert Aaron and Margaret Gordon of the Industrial Relations Institute, University of California, Berkeley. Mrs. Gordon is editing a volume of essays on youth with implications for employment. The volume is a study of nine countries, six in Western Europe, Japan, and there will be two in the LDC's. Mrs. Gordon is currently writing a shorter paper on the issues involved and will send it to the Foundation as soon as it is available. Professor Robert Aaron Gordon is completing a manuscript on youth and will send a copy to the Foundation as soon as it is available, probably within three to four weeks. Dr. R. A. Gordon will be in Washington on February 16, and RKD said that we would come back to him to arrange a meeting either in Washington or New York on Friday, the 17th.

Officers have also talked with other individuals in the field which

include Professor Lloyd Ullman at the Industrial Relations Institute at the University of California Berkeley, Professor Orley Ashenfelter, Princeton University, Professor Glen Cain, University of Wisconsin, (Professor Cain is doing background papers for the Commission on Unemployment Statistics.), Professor Bernard Anderson, the Wharton School, Professor Sar Levitan, George Washington University (Professor Levitan is head of the President's Commission on Unemployment and Employment Statistics). Mr. Robert Holland, President, Council of Economic Development, Professor Al Rees who has just returned to Princeton after three years in the government and who will be spending next year at the National Bureau of Economic Research, Cambridge, working on statistical aspects of youth unemployment.

There is a great deal of writing and research on different aspects of the problem of youth unemployment and it is clear that no single group keeps on top or abreast of the developments. It is also very clear that while the government agencies make some provision for evaluation there is no single group that is undertaking the responsibility of careful, objective evaluation of the millions and millions of Federal dollars being spent on creation of employment. As the Foundation working paper pointed out, funding of such evaluative research should be one of the program objectives of the Foundation. It could either be done by a group within the Foundation or by funding an independent organization to report periodically.