

FY 2015

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

Job-Driven Training for Youth and the Long-Term Unemployed

JOB-DRIVEN TRAINING FOR YOUTH AND THE LONG-TERM UNEMPLOYED

TABLE OF CONTENTS

| | |
|--|---|
| Summary Budget Authority and FTE by Activity | 1 |
| Overview | 2 |
| Bridge to Work | 5 |
| Summer Jobs Plus | 7 |
| Back to Work Partnerships | 9 |

**JOB-DRIVEN TRAINING FOR YOUTH AND THE LONG-TERM
UNEMPLOYED**

| SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY | | | | | | | | |
|---|--------------------|----------|--------------------|----------|-------------|----------|-------------------------|------------------|
| (Dollars in Thousands) | | | | | | | | |
| | FY 2013 Enacted | | FY 2014 Enacted | | FY 2015 | | | |
| | | | | | Current Law | | Legislative Proposal | |
| | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount |
| Bridge to Work | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,000,000 |
| General Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,000,000 |
| | | | | | | | | |
| Summer Jobs Plus | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,500,000 |
| General Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,500,000 |
| | | | | | | | | |
| Back to Work Partnerships | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,000,000 |
| General Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,000,000 |
| | | | | | | | | |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,500,000 |
| General Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,500,000 |

JOB-DRIVEN TRAINING FOR YOUTH AND THE LONG-TERM UNEMPLOYED

Introduction

The 2015 Budget proposes several new initiatives to help millions of Americans looking for ways to upgrade and hone their skills to prepare for emerging job opportunities. Building on the American Jobs Act (AJA), the Budget includes short-term funding to aggressively address long-term unemployment and provide new opportunities to put Americans back to work:

- **Bridge to Work.** The Department requests \$2,000,000,000 as a one-time appropriation to be expended over approximately six years. The Department will use these funds to provide competitive grants to states to conduct work-based reforms in their state Unemployment Insurance (UI) programs. States applying for the funding will be required to explain how the funds would support a closer tie between unemployment benefits and reemployment goals and how they would get claimants back into good jobs as quickly as possible. The Department expects that the majority of the funds would be used on Bridge to Work programs, a work-based UI initiative designed to help unemployed workers return to work quickly. State Bridge to Work programs would allow UI claimants to receive regular UI benefits while participating in short-term work placement programs – providing individuals with valuable work experience and a path to permanent employment. Grant funding could be used to administer these programs and also to “top up” individuals’ benefits to make sure they are receiving at least the minimum wage. Grant funds could also be used to conduct other work-based reforms, including paying the administrative costs of conducting a state demonstration project on subsidized employment, as authorized in the Middle Class Tax Relief and Job Creation Act of 2012. In addition, states could use the funding to expand the Reemployment Services and Eligibility Assessment (REA/RES) initiative proposed separately in the FY 2015 Budget to additional UI claimants. In a randomized controlled trial, REA/RES was shown to get unemployed workers back to work faster and at higher wages while also saving money in state programs by reducing overall UI benefit payments.
- **Summer Jobs Plus.** The Department requests \$2,500,000,000 to provide direct linkages to academic and occupational learning, which may include the provision of supportive services, such as transportation or child care, necessary to enable low-income youth to participate. Funding will support year-round employment as well as strategies such as alternative high schools for disconnected youth and remedial education or high school equivalency diploma programs offered in career contexts. \$1,500,000,000 of this funding will be provided to states on a formula basis to conduct subsidized summer and year-round employment programs for youth. The remaining \$1,000,000,000 will be awarded as competitive grants to fund promising and innovative employment and training strategies to improve outcomes for disadvantaged youth.
- **Back to Work Partnerships.** The Department requests \$4,000,000,000 for competitive grants to support partnerships between intermediaries and businesses to get the long-term unemployed back to work through promising and innovative local work-based job and training strategies. These grants would support the expansion of sector strategies, an

JOB-DRIVEN TRAINING FOR YOUTH AND THE LONG-TERM UNEMPLOYED

evidence-based approach that helps to increase employment and earnings for unemployed individuals by engaging businesses, training providers, and the public workforce system to ensure that employment and training efforts are truly job-driven. The Budget also proposes \$15 million in discretionary funding to support sector strategies.

BRIDGE TO WORK

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|----------------------------|--------------------|---------------------------------|
| (Dollars in Thousands) | | | | |
| | FY 2013 Enacted | FY 2014 Enacted | FY 2015 | |
| | | | Current Law | Legislative Proposal |
| Activity Appropriation | 0 | 0 | 0 | 2,000,000 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

Bridge to Work is designed to provide states with flexible funding to implement innovative work-based reforms in their state UI programs. The program would allow states to adopt Bridge to Work programs to facilitate the reemployment of UI recipients by allowing them to voluntarily work for an approved employer while continuing to collect UI benefits in lieu of wages. In addition, states could use grant funding to adopt other work-based reforms aimed at speeding the reemployment of UI claimants into good jobs. Other possible uses of funding include paying the administrative costs of demonstrations authorized under The Middle Class Tax Relief Act of 2012 and expanding state REA/RES programs.

FY 2015

The Budget requests \$2,000,000,000 for Bridge to Work. These funds will be allotted to States for programs facilitating the reemployment of UI claimants. The flexible-funding design allows states to apply for funding to conduct innovative reemployment strategies or implement State-designed solutions that speed claimants' return to work while protecting workers' rights.

Bridge to Work allows individuals receiving UI to work for an approved employer while continuing to collect UI benefits in lieu of wages. This initiative provides valuable work experience and a path to permanent employment to the individual. The proposal also would protect workers' rights by ensuring that UI claimants are paid at least the minimum wage. Wages can come from either state funds requested under this grant or from employers. In addition to requesting funding for supplementing wages, states may also request funding for administering the program and providing supportive assistance, such as a transportation subsidy.

SUMMER JOBS PLUS

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|----------------------------|--------------------|---------------------------------|
| (Dollars in Thousands) | | | | |
| | FY 2013 Enacted | FY 2014 Enacted | FY 2015 | |
| | | | Current Law | Legislative Proposal |
| Activity Appropriation | 0 | 0 | 0 | 2,500,000 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

Investing in our nation’s low-income youth is critical to building long-term prosperity and ensuring that our economic recovery reaches all Americans. The Budget proposes a new Summer Jobs Plus Fund to provide summer and year-round jobs for low-income youth and competitive grants to States, localities, and tribal entities to carry out strategies to assist low-income youth in being prepared for successful careers.

FY 2015

Starting in 2015, the Budget requests a total of \$2,500,000,000 for Summer Jobs Plus. This one-time, temporary investment will support opportunities for hundreds of thousands of low-income youth with opportunities to work and to receive training in growth industries while the economy continues to recover.

The Summer Jobs Plus Fund will include two distinct pieces: 1) summer employment and year-round employment opportunities for low-income youth; and 2) an innovation fund to provide competitive grants to support innovative training and employment programs for low-income youth, including work-based employment strategies of demonstrated effectiveness.

Implementation of Summer Jobs Plus will build on the learnings from the successful Recovery Act summer and year-round employment programming in 2009 and 2010, as well as summer employment initiatives in the previous few summers.

The Department requests \$1,500,000,000 to support subsidized summer and year-round employment opportunities for low-income youth, ages 16 through 24. These efforts will emphasize direct linkages to academic and occupational learning, and may include the provision of supportive services, such as housing, financial literacy, transportation or child care, necessary to enable such youth to participate. Funds for summer and year-round jobs will be available for up to two years and funding will be allocated to states by formula.

The Department also requests \$1,000,000,000 for an innovation fund to provide competitive grants to support promising and innovative employment and training strategies designed to improve outcomes for low-income youth. Potential strategies may be identified, in part, based on promising practices gleaned from early implementation of the Youth Career Connect grants that are to be awarded in March/April of 2014. Other strategies for these competitive grants may include alternative high schools for disconnected youth, remedial education or high school equivalency diploma programs offered in career contexts, sector-based training and other strategies focused on creating career pathways for low-income youth, acquisition of an industry-recognized credential, career academies, and/or adult basic education and integrated basic

SUMMER JOBS PLUS

education and training models. Grants will be awarded on a competitive basis to States, localities, and tribal entities and may include partnerships with employers or employer associations, education providers and post-secondary educational institutions, community-based organizations, joint labor-management committees, work-related intermediaries, and/or other appropriate organizations.

BACK TO WORK PARTNERSHIPS

| BUDGET AUTHORITY BEFORE THE COMMITTEE | | | | |
|--|----------------------------|----------------------------|--------------------|---------------------------------|
| (Dollars in Thousands) | | | | |
| | FY 2013 Enacted | FY 2014 Enacted | FY 2015 | |
| | | | Current Law | Legislative Proposal |
| Activity Appropriation | 0 | 0 | 0 | 4,000,000 |
| FTE | 0 | 0 | 0 | 0 |

Introduction

Elevated rates of long-term unemployment (those jobless for 27 weeks or more) have persisted despite the declining unemployment rate. In January 2014, the Bureau of Labor Statistics reported that there were 3.6 million individuals who were long-term unemployed (LTU), accounting for more than 35 percent of all unemployed individuals. This reported number of LTU does not include discouraged workers who have simply given up looking for work or workers who are only marginally attached to the labor force.

The LTU population includes a wide spectrum of individuals such as: middle aged or older workers who lost their jobs in industries that have restructured and have replaced old jobs with new job categories; recent college graduates who possess skills and credentials but are not finding jobs due to the lack of jobs in their major field of study; and job seekers whose skill sets are obsolete or no longer in demand in the current economy and require skills upgrading among other assistance.

Frequently, the attribute of being LTU is the biggest factor working against these individuals in finding employment. Research shows that those who have been unemployed for a short term have benefited more from the recent increases in job vacancies when compared to LTU.¹ Those who are long-term unemployed with relevant experience are less likely to be invited for an interview than a recently unemployed worker with no relevant experience.²

To respond to the unique challenges confronting the LTU, this request proposes funding for Back to Work Partnerships. Back to Work Partnerships will provide competitive grants to workforce intermediaries to establish new or broaden current partnerships with business and provide LTU with work-based experiences leading to employment. To maximize the impact of these investments, these grants will be designed to expand and align with sector-based strategies which will provide a wider range of opportunities at different skill and educational levels.

This program builds on the Administration’s efforts to promote hiring of the long-term unemployed. The Administration has engaged private businesses, many of whom have signed a pledge to alter their hiring practices to prevent discriminating against the long-term unemployed. The Department’s Ready to Work grants will support partnerships to train and place the long term

¹ Ghayad, Rand and Dickens, William, “What Can We Learn by Disaggregating the Unemployment-Vacancy Relationship?” Public Policy Briefs No. 12-3, Federal Reserve Bank of Boston, October 2012. (p.6)

² Rand Ghayad, “The Jobless Trap” Job Market Paper, Working paper, 2013.
http://media.wix.com/ugd/576e9a_f6cf3b6661e44621ad26547112f66691.pdf

BACK TO WORK PARTNERSHIPS

unemployed in skilled jobs. In addition, the President has instructed the Office of Personnel Management to review the Government's own hiring practices to prevent discrimination against the long-term unemployed.

FY 2015

The budget requests a total of \$4,000,000,000 for Back to Work Partnerships. This one time investment replaces the previous Pathways Back to Work proposal and will be obligated over a two-year timeframe with \$2,000,000,000 awarded each year. Eligible grantees will be workforce intermediaries with demonstrated ability to reemploy the LTU, braid available funding streams to provide supportive services, develop and maintain partnerships with business, coordinate training and education programs, and align activities to complement or expand current sector-based strategies and workforce investment activities. The use of intermediaries will serve to increase the capacity of the current workforce system to meet the needs of the LTU; grantees will be urged to work in close partnership with the public workforce investment system, especially in outreaching to and recruiting LTU, engaging employer partners, and aligning funding resources.

The Department anticipates serving approximately 1,000,000 participants through this investment. Revised targets will be developed during implementation of the grants based on grantee proposals and projected costs.