

# New Perspectives, New Partners, New Pathways: Extending Opportunities for Our Youth

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Bridging the Gap: Promising Approaches and Emerging Practices for Addressing Youth  
Unemployment Conference at the Federal Reserve Bank of Philadelphia

Philadelphia, PA

December 2, 2015

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President and Chief Executive Officer  
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FEDERAL RESERVE BANK  
OF PHILADELPHIA

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The views expressed today are my own and not necessarily  
those of the Federal Reserve System or the FOMC.

**Welcoming Remarks**  
**New Perspectives, New Partners, New Pathways:**  
**Extending Opportunities for Our Youth**

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**Introduction**

Thank you for attending today's conference. I am glad to see so many here for a discussion on what I view as a pressing issue not only in our region but throughout the United States. Today, we will look at some of the promising new approaches and emerging strategies for addressing youth unemployment. In particular, we will look at how apprenticeships and employer-led strategies can bolster our efforts in this area.

I want to first thank our speakers who will be sharing their expertise on youth employment and the policy, research, and practice perspectives associated with this issue.

Thanks also to our cosponsors, the Federal Reserve Bank of Cleveland and The Annie E. Casey Foundation. I would like to point out some of the important work these organizations are doing in this field:

- The Cleveland Fed has partnered with our Bank on a number of initiatives related to workforce development. Paul Kaboth and his team have done tremendous work in providing economic and community development practitioners with a greater

understanding of the Workforce Innovation and Opportunity Act. Joe Ott's recent paper, in particular, clarified the finer points of the legislation and how it might aid workers, employers, and communities.<sup>1</sup>

- The Annie E. Casey Foundation strives to increase economic opportunities for low-income families, focusing on the needs of young people, and is currently funding several innovative workforce development initiatives.

Finally, I would like to thank Theresa Singleton and her community development team from the Federal Reserve Bank of Philadelphia for organizing today's event.

### **A Focus on Employment**

The idea of promoting maximum employment has always been part of the Federal Reserve's mission. This concept was formalized in 1977 when Congress amended the Federal Reserve Act, establishing what is now commonly referred to as the Fed's dual mandate: to achieve price stability and to promote maximum, sustainable employment. There are various ways in which we contribute to this objective of maximum employment.

The Research functions across the Federal Reserve System are an important source of data and analysis on labor market issues, and we can be a resource for organizations that provide meaningful programs for the unemployed. And a significant amount of activity has occurred in the System's community development function:

- The community development divisions at Reserve Banks and at the Federal Reserve Board of Governors have been increasingly active in workforce development. Many Reserve Banks, including this one and the Cleveland Fed, have conducted listening sessions with educators and employers.
- The Atlanta and Kansas City Reserve Banks published a book, *Transforming U.S. Workforce Development Policies for the 21st Century*, which is available here today.
- And earlier this year, the Federal Reserve Banks of Philadelphia, Cleveland, and Atlanta produced a major research study on *opportunity occupations* in the nation's largest

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<sup>1</sup> <https://www.clevelandfed.org/newsroom-and-events/publications/special-reports.aspx>

metropolitan economies. Opportunity occupations are jobs that pay at least the national median salary and are accessible to those without a bachelor's degree. These types of opportunities, of course, will be a central focus of today's conference.

Here at the Philadelphia Fed, our staff has been particularly focused on workforce-related challenges, issues, and opportunities for young people between the ages of 16 and 24. The decrease in labor force participation among young people in recent years has been striking, declining from about 66 percent in 2000 to 55 percent in 2015.<sup>2</sup>

We recognize that while much of the economy has rebounded in recent years, significant barriers still exist for young people in the job market. This is especially true for those young people who are currently disconnected, which is to say that they are neither employed nor in school. This population is also increasingly referred to as *opportunity youth* because they represent an untapped resource in our nation's economy. Measure of America, a project of the nonprofit Social Science Research Council, reported that close to 14 percent of Americans between the ages of 16 and 24 are disconnected and that these rates are higher for minority youths. More than one-fifth of all African American youths and more than 16 percent of all Latino youths are disconnected.

These numbers point to an urgent need for communities to make efforts to engage these young people, in particular. We're fortunate in Philadelphia to have several organizations doing tremendous work. I have had the privilege of recently touring the facilities of the YouthBuild Philadelphia Charter School, Philadelphia Works, and District 1199C Training & Upgrading Fund. In their own unique ways, these organizations are focused on reengaging young people in this region and in helping them learn job skills and in finding meaningful work. While each organization is unique in its approach, common threads still exist among them. These organizations are successful, in large part, because they realize that their work goes far beyond job training. There is a personal aspect to their work that is critical to their efforts. They offer a sense of belonging, a sense of direction, and even a sense of family to those who lack these

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<sup>2</sup> The percentages are based on third quarter seasonally adjusted data for the respective years provided by the U.S. Bureau of Labor Statistics.

necessities in their personal lives. Also, by way of their investments in the lives of these youths, these organizations and programs are having an important and positive impact on the future regional economy.

For each of us, one person entrusted us with our first job. This person made an investment in us that is still yielding outcomes today. For me, I benefited greatly from having work opportunities at an early age. At 14, I started working on a farm near my hometown in New Jersey. And I can tell you that I learned things from my first job and from my first boss, John McGroarty, that I still reflect on to this day. While much of farming seems routine, trust me, it takes a lot of creativity and tenacity to catch pigs that have escaped from their sty.

Starting to work at an early age taught me many skills that could be easily transferred to any job, and these skills made it easier for me when I started my career in earnest years later. Getting a feel for a professional environment at an early age was invaluable. I learned that if you work hard and show a desire to expand your knowledge, new opportunities can and do arise. And, perhaps most importantly, John taught me the value of having a mentor. I worked for John and his family for more than eight years. Over the course of my career, I have been very fortunate to have had several mentors, such as my father-in-law, along the way. Each one invested significantly in my development. Looking back at my career path as I wrote today's remarks, I was struck by how important mentorship was to me and for others entering the workforce. This is true for formal apprenticeships and the more informal interactions that occur when adults make personal investments of their time in young people. The investment John made in me 40 years ago has had a tremendous impact on where and who I am today.

### **The Problem**

The problem we face is that too few young people are securing the types of job opportunities many of us had. Too many young people are not engaged in work or education — they are not connected — and this can set them back for the rest of their lives. Research shows that when young people are not active in work or school, they fail to develop adequate professional skills, and they ultimately have lower earnings over a lifetime. Given the significant role of consumer

spending in the economy, this disengagement of young people from the labor market can also have lasting impact on local and regional economic growth.

We know that education contributes to an individual's future earnings, but work experience matters as well. The Federal Reserve Board's Division of Consumer and Community Affairs conducted a survey of young workers that confirmed the importance of work experience and early entry into the workforce. Survey respondents who had a paid job during high school were more likely to be currently working than those who did not.

This survey of young workers indicated that some of the difficulties young people face when looking for a job are felt even more acutely by low-income and minority individuals. Many of these individuals are ambitious young people who are eager to join the workforce, but obstacles in the way can become insurmountable without proper support systems.

### **New Perspectives, New Partners, New Pathways**

The issues facing disconnected youth are complex, and the barriers are real, as many in this audience can attest. We are all here today because we recognize the need for new perspectives, new partners, and new pathways for young people.

### **Apprenticeships**

Apprenticeships offer one way to broaden access to training and employment. Apprenticeships have been the staple of workforces throughout modern history. George Washington was an apprentice surveyor, and Ben Franklin was an apprentice printer.

Apprentices receive structured on-the-job training, wages, industry-recognized credentials, and direct access to jobs and careers. Employers, in turn, obtain highly trained employees and increased productivity; they may also have a better experience in retaining employees.

In an assessment and cost-benefit analysis of the Registered Apprenticeship — or RA — program in 10 states, Mathematica Policy Research conducted a study and noted that RA participants had substantially higher earnings than nonparticipants. The study estimated that apprentices who completed their RA programs would receive an average of around \$300,000

more in compensation over their lifetime, including benefits, than nonparticipants.<sup>3</sup> These programs can have a significant impact on the lives of workers and the economy; however, they have had limited application here in the United States.

Apprenticeships reach approximately 55 to 70 percent of youths in Austria, Germany, and Switzerland. As a share of the total labor force, apprenticeships account for just under 4 percent in Australia and Germany, just under 3 percent in the U.K., but only 0.3 percent in the U.S. And, while in most other countries apprenticeships begin after secondary schooling, in the United States, the average age of an RA program participant is now 28 years old. We must consider ways to make it easier for young people to access these programs.

### **New Partners**

We realize that it is just as important to engage employers as it is young people. It is important to recognize the needs of employers — to know what they are looking for and to partner with them as we train young people in skills that will translate into careers.

Today, you will hear from several speakers who are working across fragmented systems or silos to create real solutions in our communities. For example, Michael Wiggins is with us today from Southwire — a wire and cable producer in Georgia — that has collaborated with local school districts to develop a program that addresses high drop-out rates and creates a job pipeline for local talent. Southwire’s 12 for Life program blends classroom instruction and on-the-job training. It has been successful in matching talented, ambitious young people with fulfilling careers at the company, and, in turn, it has also helped produce successful members of the workforce.

The program that you will hear more about from Michael underscores how much more our regions can achieve when employers are actively engaged and when mentors are available and willing to share knowledge.

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<sup>3</sup> See “An Effectiveness Assessment and Cost-Benefit Analysis of Registered Apprenticeship in 10 States,” by Mathematica Policy Research, 2012 at [http://wdr.doleta.gov/research/FullText\\_Documents/ETAOP\\_2012\\_10.pdf](http://wdr.doleta.gov/research/FullText_Documents/ETAOP_2012_10.pdf). The 10 states include New Jersey and Pennsylvania.

## **New Pathways**

Later in the program, you will hear from Simran Sidhu from the YouthBuild Philadelphia Charter School. I had the privilege of meeting with Simran and some of her students last week at YouthBuild. The visit highlighted the importance of career advancement and supporting youth at each transition, whether it is from high school to community college or from community college to a first job. I met with students who said that one of their biggest barriers to success in school was simply not having an adult in their lives who cared. After struggling with reading or math and without the proper support system, they simply withdrew. Simran and her staff focus on giving these individuals the support they need, which goes far beyond job training.

YouthBuild has a wonderful partnership with Starbucks that involves training students to become baristas and then transitioning them into jobs. The technical side of that partnership is going well, and it is something I can personally attest to after being fortunate enough to sample a cup of coffee prepared by the students. But after I spent some time in the school, it became apparent that the program has a far greater impact than simply training future baristas. It is about giving our youth the necessary skills and the vision to see beyond that first job, allowing them to go from being a barista to becoming a store manager or possibly even a district manager. It is about creating a pathway to success through personal contact and professional training programs.

## **Conclusion**

In order to meet the needs of our young people and to secure our long-term economic future, we need to make real investments in their training and employment today. It is key to support these individuals not just as students, but as neighbors, as members of our community, and as part of our economy. This approach will bolster our efforts in helping to put young people on a path of success and in addressing a pressing issue in our regional and local economies.

The investment that John McGroarty made in me more than 40 years ago has had a profound and lasting impact on my career. As we proceed with today's critical conversations, I would like to challenge each one of us to consider the investments we are making in our young people



today, particularly those who are disconnected. There are many ways we can each be involved, such as through apprenticeships, internships, and mentoring. At the corporate level, we can do even more. It will undoubtedly take new and innovative approaches and collaboration across sectors to create these lasting and essential career pathways for young people. It is a complicated and layered challenge but one that is worth pursuing.

Going forward, I can see one of my primary focuses will be to explore ways to strengthen the Third District in the area of workforce development. As we deepen our engagement in workforce development issues, we want to hear from you about how we can be most helpful in this space.

Thank you again for joining us today and thank you also for the important work you do in our communities.