

Today's Workforce: Reconnecting Opportunity Youth

Young people have faced some of the most difficult economic challenges in recent times. Yet, despite the high unemployment and underemployment rates among America's youth, they represent a potential answer to the skills gap so many employers face.



Who are the Opportunity Youth?

They are defined as the young people who are not currently working or attending school.

- » aged 16 to 24 years of age
- » 47% are women, 53% are men
- » 46% have earned a high school diploma or equivalent
- » 33% have dropped out of high school

BY THE NUMBERS

6.7
MILLION

estimated total number
of disconnected youth

\$93
BILLION

annual cost of disconnected
youth to tax payers

50%

of employers say jobs go unfilled
due to unskilled applicants

330,000

number of vacant manufacturing
jobs due to lack of skilled workers

* It's time we match available youth to the jobs that need them.

There's an economic crisis in the U.S. today that urgently needs fixing. This crisis is twofold: today's youth have incredibly high unemployment and underemployment rates and employers struggle to fill open positions because they cannot find candidates with the skills they need. While many business, education and political leaders are working to address each issue independently, one solution may be the answer to both problems.

While 54% of U.S. employers report that they struggle to fill more than 5 million open jobs, there are over 6 million young adults aged 19-24 neither working nor in school (this group is commonly referred to as "disconnected" or "Opportunity Youth"). This group should be an ideal talent pool for filling the numerous vacancies employers describe, however, our young people have an unemployment rate far above the national average of 5.6%. Teens aged 16 to 19 face an unemployment rate of 16.8% and 20 to 24 year-olds have an unemployment rate of 10.8%, as of December 2014.

The cost of youth unemployment – regardless of how you calculate it – is far too high to simply accept the status quo.

When Opportunity Youth are not in school, investing in their own human capital, and are not at work, developing skills and experience, they become an economic loss to society. Each year, Opportunity Youth cost taxpayers \$93 billion in lost tax revenues and increased social services. Individually, a disconnected youth will cost taxpayers \$704,020 over his or her lifetime. In total, with an estimated 6.7 million Opportunity Youth nationally, the economic burden to the United States was measured at \$6.31 trillion in 2012 (adjusted for market fluctuation).

This cost doesn't even consider the significant student debt our young people are amassing, causing economic fatigue before even entering the workforce. Even worse, those young adults who invest in post-secondary education are often left unskilled or underskilled. For example, almost all (96%) of chief academic officers at colleges and universities believe they are preparing students for employment, while only 11% of business leaders agree that graduates have the requisite skills for success.

Too many of our young adults enter the workforce without the right skills and find themselves being turned away due to their lack of experience. It's clear that there is a skills gap: a delta between the skills an employer requires and the average skills ability of a job seeker. More than half of businesses say applicants are unqualified for their vacant positions. If they are lucky enough to be interviewed for a position, many times young people are passed over for it but are not provided feedback to help them become more qualified. In fact, only 12% of job seekers report getting feedback that they do not have the right skills for the job.

The skills gap has a real economic cost. For example, companies report an average loss of \$14,000 for every job opening that remains vacant for three months or longer. Additionally, the manufacturing sector, for example, reported more than 330,000 open jobs in January 2015 due to lack of qualified candidates – and 82% of manufacturing executives report that a talent shortage negatively impacts their ability to meet customer demand. With 35% of employers unable to

fill open positions in less than 12 weeks, the cost inflates quickly. Further, research indicates that young adults who do not get early work experience will likely sustain lower income levels throughout their lifetimes, contributing less to the economy as taxpayers and falling short of their economic potential.

OPPORTUNITY YOUTH CAN SOLVE EMPLOYERS' PROBLEMS, AND VICE VERSA

Opportunity Youth present a real opportunity to close some of the skills gaps that employers are struggling to address. There is an immediate opportunity in sectors requiring middle skills – skills that require some education beyond a high school diploma but do not require a four-year degree – to develop a strategy to both address the skills gap and youth unemployment. According to a recent study, the need for middle skills will only continue to rise, with 63% of job openings nationwide between 2008 and 2018 requiring some form of post-secondary credential, but not necessarily a four-year degree.

Opportunity Youth present an incredible opportunity to connect an available workforce to in-demand positions.

Filling these open positions requires a better system of identifying and matching talent, and developing flexible pathways into careers. With the right skills, young adults can fill positions needed today and serve as apprentices in their workplace to gain on-the-job skills training, develop industry knowledge, and drive the future growth of the companies they work for, effectively solving the skills gap.

DEVELOPING A SYSTEM TO ADDRESS THE YOUTH SKILLS CHALLENGE

Improving opportunities and outcomes for our youth really must start with employers. Employers must be more active in identifying which skills are needed for success and committed to investing in recruiting talent from nontraditional backgrounds. We can reconnect young people to the workforce by advancing the process of how they acquire needed skills.

With greater clarity around the specific skills employers require for success, the next step in the process is giving our young people a way to showcase the skill sets they have acquired through different walks of life and see how those skills will translate into various industries or opportunities. This gives youth an opportunity to display their skills and be evaluated based on those skills, and gives employers the opportunity to evaluate job seekers on their true abilities rather than relying on proxies like degrees or years of work experience.

With defined skills and a platform on which to display and evaluate job fitness, our disconnected youth will be able to engage a variety of opportunities and understand how their skills and experiences qualify them for different opportunities. It is also essential that they have good information about training programs that produce particular skills. By defining the skills learned from specific courses and making those education opportunities more accessible, we arm our youth with powerful data about the skills employers need and the courses to take in order to be successful both in the long-term and short-term. This concept of lean learning intends to develop the skills needed for success today and connect individuals to opportunities for further growth and skill development throughout their lifetimes.

CREATING A CLEAR PATHWAY TO WORKFORCE SUCCESS

Opportunity Youth and the skills gap present significant economic consequences. Both deserve our attention and we believe by addressing the skills gap challenge we can develop successful economic opportunities for our youth. By working with employers to provide clearer paths to significant, long lasting employment, we empower young people to understand their employment qualifications, improve any necessary skills, and pursue positions and industries that interest them. It's time that we champion our youth and implement a solution to get this generation – and our economy – back on track.

ABOUT SKILLSMART

SkillSmart's platform provides a single source of connectivity between employers, job seekers and educators. We equip users with a deeper understanding of their existing skills, market demand for those skills, and a clear pathway to gaining new skills. We help people become better qualified and more marketable by analyzing their skill sets to provide career development. For employers, we help them identify and recruit new talent, and nurture and grow existing talent. Our leadership team combines years of experience in human resources, education, technology, data analytics, software development and public administration. Our strong relationships with industry leaders throughout the nation provide the foundation for necessary partnerships to develop the country's workforce to fill the demand-driven needs of employers.

Today's young people believe that earning a degree guarantees employment but many quickly realize they are ill-equipped to navigate the workforce. A demand-driven, skills approach will reconnect young people to the workforce and improve the process of acquiring new skills. In the new Skills Economy, we clearly define the skills that employers want, offer clarity to the process, reduce frustration, and increase successful job matching – helping both employers and job seekers be successful.

– Jason Green, Co-Founder, SkillSmart

DATA SOURCES: Harris Poll on behalf of CareerBuilder, 2013.; US Chamber of Commerce, Making Youth Employment Work, 2015.; Measure of America analysis of data from the U.S. Census Bureau, American Community Survey PUMS Microdata.; The Economic Value of Opportunity Youth, Bellfield, CR, Levin, HM and Rosen, R, 2012.; "What America Needs to Know About Higher Education Redesign: The 2013 Lumina Study of the American Public's Opinion on Higher Education and U.S. Business Leaders Poll on Higher Education," Gallup, Inc., February 25, 2014.; Harvard Graduate School of Education.; U.S. Dept. of Labor Bureau of Labor Statistics.; Job Openings and Labor Turnover Survey, for month of Jan. 2015.; National Skills Coalition, Middle-Skill Jobs State by State, 2014.