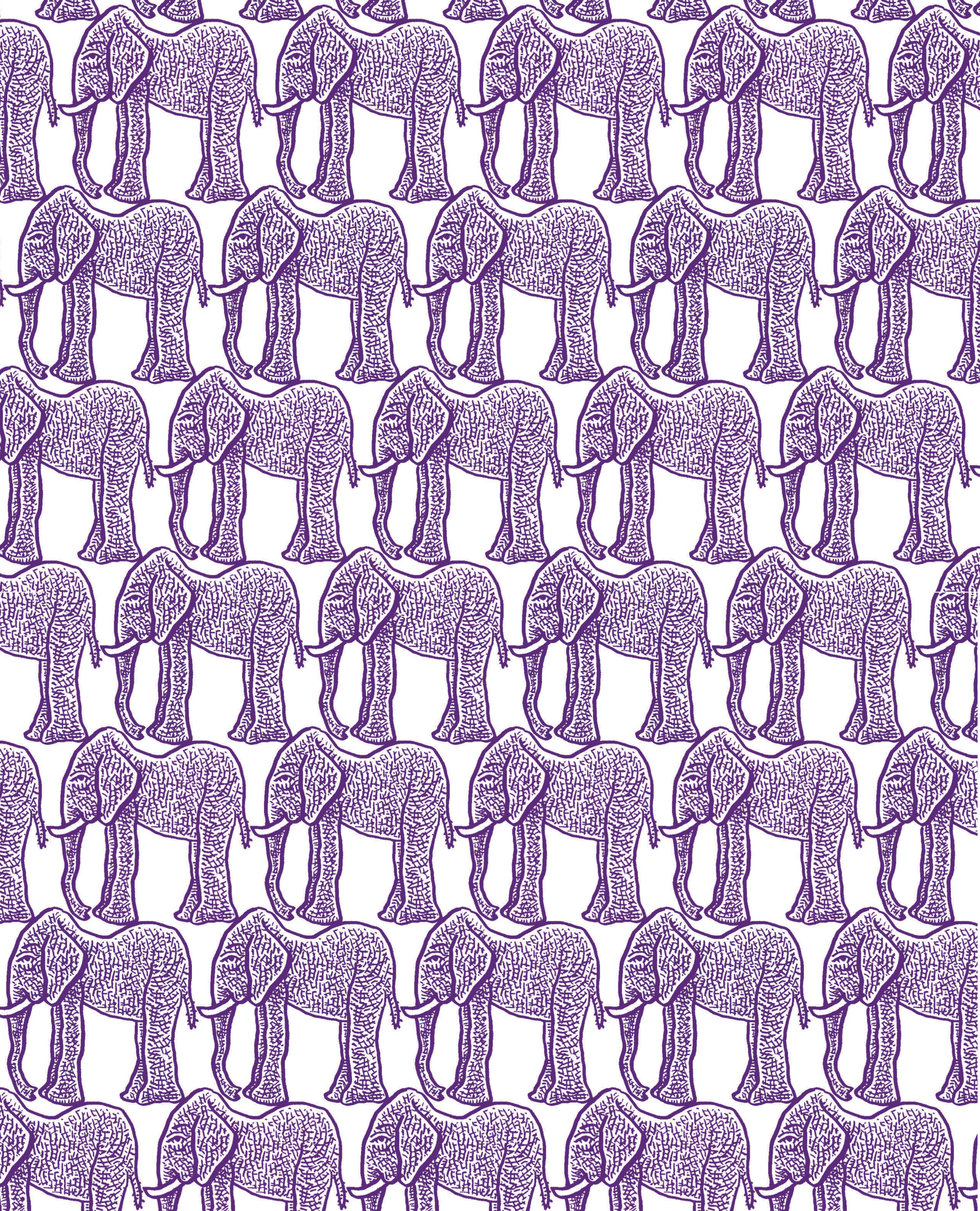

YOUTH UNEMPLOYMENT:

Confronting The Elephant in the Room

As the jobless rate for young people continues to inch upward, youth unemployment has become a global concern. A number of companies are developing innovative approaches to address the issue.

by Willa Seldon, Katie Smith Milway, Simon Morfit and Brian Bills

IT'S NOT A GOOD TIME to be young and in the job market. After a period of modest improvement, the global youth unemployment rate worsened in 2016. Globally, joblessness among 15- to 24-year-olds reached 13.1 per cent, just shy of the 20-year peak in 2013, according to a report from the **International Labour Organization**. In raw numbers, 71 million young people can't find work.

Some regions are in worse shape than others. Youth unemployment in the Arab States is highest, at 30.6 per cent, and lowest in East Asia, at 10.7 per cent. In the European Union — still suffering the residual effects of the 2009 global recession — it totals 19.2 per cent. The report also finds that even where jobs are available to young people, they often fail to provide living-wage incomes.

Concern about youth employment extends well beyond 'keeping track of joblessness'. Large numbers of unemployed young people can have serious consequences for a country's economic security and political stability. Not surprisingly, the **United Nations** has included youth employment policy goals in its 2030 Agenda for Sustainable Development. Lowering youth unemployment and improving access to stable job opportunities is a policy goal for developing and developed countries alike.

In the U.S., where unemployment has fallen from a Great Recession high of 10 per cent in October 2009 to 4.9 per cent more recently, the youth unemployment rate remains more than twice the overall unemployment rate. Yet, as the U.S. economy has rebounded, employers are increasingly struggling to fill

Some 5.5 million 16- to-24-year-olds are both out of work and out of school, presenting a huge pool of untapped talent.

entry-level positions. This mismatch between demand and supply will likely continue for some time. Between now and 2022, **Bureau of Labour Statistics** data project that nearly six million entry-level jobs suitable for young people will be created across a range of industries. Companies unable to fill these positions will face lower productivity and revenue.

The solution for this worker shortage is hidden in plain sight: today, some 5.5 million 16- to-24-year-olds are both *out of work* and *out of school*, presenting employers with a huge pool of untapped talent available to fill entry-level positions. But developing that raw talent won't be easy. Many of these so-called 'opportunity youth' have survived family strife, struggled to stay in school, and even had run-ins with the law. Preparing them for successful work experiences will take innovative forms of collaboration between employers, non-profits and government.

A recent **Bridgespan** study found a number of global corporations that have embarked on this mission in their U.S. operations, including **State Street Corporation**, **Starbucks**, **CVS Health**, **Walmart** and **JPMorgan Chase**. They joined with more than a dozen other large U.S. companies in 2015 to launch the 100,000 Opportunities Initiative — the largest employer-led coalition focused on hiring opportunity youth. Today, nearly 40 employers use the initiative to offer internships, training programs, and jobs for 16- to-24-year-olds who are out of school and unemployed. The biggest challenge these employers face? Matching young people to the right jobs.

Matchmakers Step Up

'Matchmaking' is a role often played by non-profit intermediaries. **Bottom Line**, which helps low-income and first-generation students gain entry to college and careers, is one of several organizations helping Boston-based State Street Corporation, a financial services provider to institutional investors. A few years back, State Street faced stiff competition for entry-level hires, as Millennial college graduates flocked to high tech. At the same time, it wanted new employees to better reflect the diversity of its customer base. State Street turned to Bottom Line, **Year Up** and other workforce development partners for help with preparing and recruiting a diverse group of entry-level applicants.

Year Up's interns spend six months developing job skills in information technology, operations, finance, sales, marketing or customer service. In addition, Year Up helps youth develop soft skills, from professional dress to conflict resolution, placing its participants with 250 other partner companies, where they gain work experience.

Throughout their year-long participation in the program, (six months of training followed by six months spent as interns), participants receive a stipend, college credit, job recommendations and 'wrap-around supports', such as one-to-one mentoring and assistance with transportation, childcare and housing. Eighty-five percent of Year Up's interns are later hired either by host companies or enroll in college: more than two-thirds of the interns Year Up has provided to State Street have become full-time employees and stayed an average of 45 months — almost triple the average time 20- to 24-year-olds stay with an employer.

Other fast-growing workforce intermediaries in the U.S. include **BankWork$**, which trains opportunity youth for banking jobs, and **iFoster**, which trains youth aging out of foster care for careers in retail and other industries. In Canada, intermediaries such as **Social Capital Partners** (SCP) — a social finance organization focused on matching employer demand for workers with the needs of disadvantaged people — are developing new approaches to youth employment. SCP, for example, helped **Virgin Mobile** launch its initiative to provide homeless youth with the skills employers need, including IT, digital print, and construction skills. SCP has also structured an innovative partnership between banks and government to offer low-interest loans to businesses that hire disadvantaged employees.

Adopting Youth-Friendly Policies

While non-profits have demonstrated their value as matchmakers, employers have honed policies and practices tailored to helping opportunity youth succeed. Three stand out:

1. SCREENING CANDIDATES *IN* VERSUS *OUT*

Human resources teams need to evaluate the competencies young people bring to the job. Rather than screening applicants *out* for lack of diplomas or experience, this approach screens people *in* for skills and aptitudes.

A study conducted by **Innovate + Educate** — which uses research-based strategies to address the U.S. national skills gap — shows how this approach increases the number of qualified applicants. The study found that while only one per cent of unemployed New Mexican young adults met the criteria for jobs that required a college degree, 33 per cent cleared the hurdle when measured by skills and aptitude.

Pharmacy chain CVS Health has made 'screening-in' part of its hiring process for entry-level workers. The company hires roughly 1,000 such employees each week to help staff its 9,600 retail pharmacy locations with cashiers, shelf stockers and pharmacy technicians. CVS's apprenticeship program, which currently operates in four states, is designed to train and retain young workers. While the program varies from state to state, it is expected to spread to 10–15 states by 2017.

The company's efforts include a 'training store', located in a technical high school in Lowell, Massachusetts, where three-quarters of students are classified as low income. Students who excel get job offers for part-time work in local CVS locations, with full-time job offers on graduation. Those who may aspire, for example, to become a pharmacy technician or to pursue a business degree can continue part time through post-secondary training. When evaluating young job applicants, managers have been coached to look past a candidate's limited prior experience or short resume and instead, focus on whether candidates have the attributes to take care of customers and commit to working their way up.

2. MENTORING ON THE JOB

Although the notion of apprenticeships may conjure up craftsmen of yore, many modern professions — from doctors to electricians — still grow talent by matching entry-level employees with skilled mentors. Mentoring conveys learning in the way that cognitive research tells us is the most effective: experientially. The **Center for Creative Leadership** recommends that 70 per cent of training occurs on the job.

Not surprisingly, companies successful in hiring opportunity youth are also committed to mentoring. One is **SK Food Group,** a U.S. food manufacturer and wholesaler with more than $300 million in annual sales. A supplier to café chains and retailers, SK opened a new sandwich plant in 2014 just outside of Columbus, Ohio, which became a pilot site for **LeadersUp**, a youth employment intermediary founded with support from Starbucks.

SK needed hundreds of employees for this new facility, but faced hiring in one of the nation's tightest regional labour markets. LeadersUp convinced SK that opportunity youth offered a talent pool that could address the challenge. Like CVS Health, SK screened candidates *in* for competencies and ultimately hired 220 young people.

SK asked managers to interact closely with these young employees and to look for 'teachable moments'. One such hire, **Jeffrey Duran**, advanced from line worker to forklift driver after his production manager helped him overcome shyness. "He gave me the opportunity to become a lead and work with people in all kinds of situations," said Duran. "I'm not afraid of talking anymore." From young employees and managers alike, we heard again and again about how much this kind of day-to-day, informal support meant to young workers' advancement.

SK's training and support also includes basic workplace skills, such as communicating clearly and getting to work on time. It asks managers to acknowledge unavoidable employee setbacks, such as transportation failures or child-care crunches. Even so, those who fail to forewarn supervisors of impending absences face consequences on an escalating scale — from warning to docked pay or even dismissal.

3. EMPATHY, ACCOUNTABILITY AND PEER GROUPS

Turnover of entry-level workers — which ranged up to 70 per cent in a **Bridgespan-Rockefeller Foundation** workforce study — is a big concern for employers. Among low-income workers, nearly three-quarters experience a personal challenge that can disrupt job performance during any 12-month period. But organizations we visited found ways to engage entry-level workers from day one and help them rise within the company, with resulting retention rate improvements ranging from 20 to 200 per cent over traditional hires.

The most successful companies create a 'career-development culture' that offers a blend of accountability and empathy and lowers barriers to employee success. SK, for example, grants time off for employees to handle personal business and reassigns employees who struggle with morning child care to later shifts.

SK's career-development culture helped **Tori Lamont** past a difficult moment. Lamont, a college dropout, came to SK three years ago from LeadersUp, starting out as a line worker and quickly rising to team lead — becoming a poster child for the

Among low-income workers, nearly three-quarters experience a personal challenge that can disrupt job performance during any 12-month period.

program. One day, she wandered off in the middle of a shift. Instead of dismissing her, Lamont's supervisor took the time to understand what had happened: it turned out Lamont wanted to see what others did at the factory and what other jobs she might aspire to. Her supervisor docked that day's pay, but the company reassigned her to the maintenance systems group, where she could issue work orders across many factory functions and broaden her purview.

Lamont also has peers to guide and support her at work. That's because LeadersUp helped deliver a group of new hires who could bond and learn together on the job. SK has found that young people in cohorts encourage and support each other as they confront challenges — something that would be much less likely in the traditional one-by-one hiring process.

SK has partnered with local companies to address logistical challenges faced by its young workers, such as funding a better bus service from Columbus's city centre to the factory in Groveport, 12 miles south of downtown, and increasing the availability of child care. Of the 220 opportunity youth who joined SK since 2014, 80 are still there — a retention rate 23 per cent higher than other SK entry-level hires. Approximately two dozen have been promoted. "You have to be patient through some significant challenges," said **Steve Sposari**, SK's president and CEO. "But it's paid off for us because these young people have battled through and are great contributors."

From CSR to Core Business Strategy

Many companies would view hiring opportunity youth as a demonstration of corporate social responsibility. A smaller number have evolved their thinking to embrace opportunity youth as strategic to their business success. Our research shows that this evolution in thinking takes dedicated personnel and corporate champions committed to continuously improving the onboarding, mentoring, and development of entry-level workers.

Bridgespan's 2015 youth employment study with the **U.S. Chamber of Commerce** Foundation found that the most successful opportunity youth programs had a champion in the C-suite — like Sposari at SK Food — and a champion closer to the front lines and in regular contact with young workers.

At **American Express** — which began hiring opportunity youth in small numbers in 2007 through Year Up, support came from the top. CEO **Ken Chenault** proclaimed on *60 Minutes* that the Year Up relationship was a win-win for the company and the urban communities it served. But it was **Destin Dexter**, American Express's vice president of technology, who scaled the company's efforts to meet business objectives related to hiring entry-level IT talent in a highly competitive market.

As a 165-year-old *Fortune* 50 company, American Express has a reputation as a traditional financial institution — not necessarily a place to which recent computer science graduates gravitate. "It's not that we didn't offer great IT jobs," said Dexter. "They just weren't interested." Would opportunity youth be more favourably inclined?

After a successful pilot at American Express's Fort Lauderdale offices, Dexter launched an eight-week software engineering boot camp with Year Up and Gateway Community College in Phoenix, a major technology hub for the company. They screened candidates for comfort with logic and numbers before bringing them to class. "The Year Up interns loved it," said Dexter. "They came to work with smiles on their faces and really 'leaned in'. They brought aptitude, and they were ready to learn."

Today, Dexter brings on from 80 to 100 Year Up interns annually for tech jobs ranging from software engineering to customer service. The interns have a 72 per cent conversion rate to full time, versus about 60 per cent for interns from traditional hiring pools. Year Up candidates also stay an average of 44 months, versus 18 months for traditional hires. Under the arrangement, interns earn their Year Up stipend the first six months, while Dexter tests potential hires and develops a deep bench of future talent.

Successful initiatives like those of American Express, SK and others are chipping away at matching opportunity youth with entry-level openings. But it will take more than non-profit matchmakers and in-house initiatives to put millions of young people to work. One approach to ramping up the matchmaking process involves an innovative use of technology.

Today, talent-analytics software locates key words on resumés to quickly identify formal education or experience across thousands of applicants. Unfortunately, the algorithms that power this software likely screen out many capable young people. To address this problem, **Knack**, an analytics firm supported by the Rockefeller Foundation, piloted game-based talent analytics to compare the aptitudes of a group of opportunity youth and current job holders at four companies. Of the 600 opportunity youth who participated, 83 per cent scored at or above the level of average employees on aptitudes required for succeeding at one or more roles. While still in development, such new aptitude-analytics software offers potential for identifying and hiring more young candidacies who typically get passed over.

The Payoff for Companies and Young People

Investments in opportunity youth tend to produce loyal, enthusiastic, skilled workers who stay. **Grads of Life**, an organization that helps businesses build career pathways for opportunity youth, has documented employer returns in increased retention, faster onboarding, stronger morale, access to government incentives, and improved corporate image. It calculates that CVS Health, for example, invested $2.9 million to hire opportunity youth, earning a return of 79 per cent based on tax credits alone.

While investing in opportunity youth has cut new-hire turnover, the real payoff comes in creating a talent pipeline for internal promotions and in nurturing individual careers. CVS Health, for example, has a strong culture of promoting from within and thinks several steps beyond entry level when hiring. American Express's technology team uses a framework that maps career paths from entry-level software engineer up through engineering director and beyond. And State Street, which has one of the most evolved strategies, has ramped up its program by identifying business units that have roles that best fit the skills and talents of potential recruits, and where managers have strong commitments to mentoring.

Corporations at the forefront in hiring opportunity youth have been generous in sharing their experiences, making it easier for other companies to follow, find workforce partners and match candidates to entry-level needs that are mission critical. At the same time, companies like American Express, which are new to bringing on large numbers of opportunity youth, are asking why they didn't think bigger sooner. "We initially approached the Year Up partnership as a great way to support the local communities where we live and work," said Dexter. "But over time, it became clear the program could be a breakthrough way to source entry-level talent."

As companies in the U.S. seek to fill nearly six million entry-level positions suitable for young people by 2022, opportunity youth present an unexpected solution, and one that other nations may learn from. Indeed, while every nation committed to lowering youth unemployment must chart its own course, the lessons learned by U.S. firms show what can be accomplished when business, non-profits, and government work together. ***RM***

Calculating the ROI on Youth Employment

Although youth employment efforts often start as a way for an employer to give back to the community, the business leaders showcased in this article have all come to see youth employment as a good investment. While there are up-front costs to consider, the benefits more than make up for it.

Benefits	**Costs**
• Increases employee retention • Improved employee performance • High-quality employee sourcing partners decrease hiring and training costs	• Staff time spent coordinating the program and mentoring employees • Wages and benefits for interns • Payments to partner organizations

For example, consider these statistics about retail sales employees. The average employee makes $21,000 per year, and costs about $3,400 to replace. Turnover is five per cent per month, or 60 per cent per year, on average. So for a company with 5,000 entry-level retail employees, annual turnover costs will be just over $10 million. If this company can cut turnover in half by paying a workforce intermediary $5,000 per worker to source and train each, it would save $2.5 million per year.

And that doesn't account for all the other benefits: a more veteran workforce has higher productivity and better morale; improvement in corporate image in the community increases brand loyalty and customer retention; a more diverse staff meets workforce targets and better represents the customer base; and a stronger community and local economy creates a better business environment.




Willa Seldon is a partner with The Bridgespan Group in San Francisco. She is the co-author of "Making Youth Employment Work" (U.S. Chamber of Commerce Foundation, 2015) and "Youth Hold the Key: Building Your Workforce Today and in the Future," (Bridgespan.org, 2015). **Katie Smith Milway** is a Bridgespan partner in Boston and co-founder of youth entrepreneurship program One Hen, a unit of America SCORES Boston. **Simon Morfit** is a Bridgespan consultant in San Francisco. **Brian Bills** is an associate consultant in San Francisco. This article was adapted from "Hidden Talent: How Smart Companies Are Tapping into Unemployed Youth," published by *Stanford Social Innovation Review* in September 2016.