



Summer Youth Employment Program Impact Analysis

Workforce Alliance Local Area IV

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Conducted by:
Center for Economic Development and Business Research
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Introduction

The Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University was contracted by the Kansas Department of Commerce to determine the economic impact of the Summer Youth Employment Program (SYEP) for the period of May 1, 2009, to September 30, 2009. SYEP funds were appropriated by the American Recovery and Reinvestment Act (ARRA). The Recovery Act, signed by President Obama on February 17, 2009, is intended to preserve and create jobs, promote the nation's economic recovery, and assist those most impacted by the recession.

The SYEP was specifically designed for low income youth ages 16 to 24 with barriers to employment, out of school youth and those most at risk of dropping out, youth in and aging out of foster care, youth offenders, those at risk of court involvement, homeless and runaway youth, children of incarcerated parents, migrant youth, and youth with disabilities. The goal of the Summer Youth program was to introduce and reinforce the demands and rewards of holding a job. While earning a wage, youth with limited work experience learn work ready skills, explore demand occupations and post-secondary education opportunities.¹

Summer Youth Employment Program design includes:

- Objective assessment and individual service strategies
- Age appropriate activities and work readiness goals
- Meaningful work experiences
- Worksites with a combination of public sector, private sector, and non-profit summer employment
- Incorporated green work experiences
- Connections to registered apprenticeships
- Integration of work-based and classroom-based learning activities
- Academic and occupational linkages
- Continued services supporting older/out-of-school youth during non-summer months
- Focus on the neediest youth
- Twelve month follow-up

Methodology and Assumptions

The Center based all calculations on data provided by each local workforce board. Data includes program costs accrued through September 30, 2009. These costs include direct youth wages, direct support services to youth (transportation stipends, required clothing, child care, etc.), operations and administrative salaries, and operations/administration expense (rent, supplies, insurance, equipment, travel, outreach, contracts, etc.). The number of youth retained in unsubsidized employment was also reported.

¹ United States Department of Labor Employment and Training Agency TEGL 14-08, <http://wdr.doleta.gov/directives/attach/TEGL/TEGL14-08.pdf>.

The SYEP participants worked up to 20 hours per week over a seven-week period - - however, the number of hours and number of weeks that each youth worked varied.

In Kansas, the number of job layoffs exceeded the number of new jobs during the summer of 2009. The unemployment rate has been elevated for the state of Kansas, averaging 7.2 percent over the months of May through September 2009; however, the average unemployment rate was 4.8 percent for all months since January of 2000. During the summer of 2009, Local Area IV had an elevated unemployment rate averaging 8.8 percent; since January of 2000, the regional unemployment rate has averaged 5.3 percent. Due to the stress in the labor market, it was assumed that the youth participants would not have had a job if it had not been for the SYEP; therefore, no substitution was calculated.² Employment and earnings were considered temporary and would not constitute a structural economic change.

Table 1. Monthly Not Seasonally Adjusted Labor Force, Employment and Unemployment Data in Local Area IV

Year	Period	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
2009	May	337,691	309,554	28,137	8.3
2009	June	345,070	315,600	29,470	8.5
2009	July	347,249	312,860	34,389	9.9
2009	August	338,600	308,319	30,281	8.9
2009	September	336,512	307,798	28,714	8.5

Source: Kansas Department of Labor, Labor Market Analysis, data accessed November 15, 2009.

Another assumption applied to this analysis is that all youth earnings were subject to retail sales tax and that no earnings were saved or invested long term.

Some of the SYEP participants were offered ongoing unsubsidized employment by their SYEP employer. This study assumes that these participants continue to work 20 hours a week at their previous wage rate for the remainder of the 52-week period.³ It is assumed that the participants would not have received unsubsidized employment without the SYEP. Furthermore, the study assumes that no additional SYEP participants are hired into unsubsidized employment for the remainder of the 52-week period.

SYEP operations and administration salaries supported by ARRA funds were included in the analysis; 50 percent of operations and administration earnings were subject to retail sales tax. It was further assumed that 100 percent of wages were subject to state income tax.

² Substitution occurs when new investment merely displaces current resources and jobs from one entity to another. Consequently, expansion in some industries leads to no net economic impact on the region. For example, expansion of a fast-food chain will generally displace consumers and workers from existing fast-food restaurants, but not contribute to new consumers or additional jobs in the local economy. Likewise, expansion of healthcare facilities may enhance the ability to serve the local community, but if it does not bring in new patients from either inside or outside the local community, it does not necessarily lead to economic expansion. Though it could be argued that the new facility offers new services unique to the local community, these cases must be reviewed individually.

³ Study period is from May 1, 2009, through April 30, 2010, for youth wages. The study period for administration and oversight begins when the local area receives funds and all accrued expenditures through September 30, 2009.

SYEP operations, administration and contractual non-wage expenditures were analyzed for final demand wage and output impacts; 50 percent of the output impacts were considered purchases subject to retail sales tax.

An opportunity cost exists for the use of public funds for the SYEP. If public funds were not used to provide summer youth employment, they would be available for alternative use. Estimating the potential economic impact of alternative uses of these opportunity costs was beyond the scope of this analysis.

RIMS II multipliers from the Bureau of Economic Analysis, aggregated for Local Area IV, were used to calculate total economic impacts from the SYEP, net of substitution. The notion of a multiplier effect arises due to the interrelatedness of local industries. For example, if the demand for aviation products increases, this will lead to an increase in demand from industry suppliers. Therefore, payroll increases as a direct result of the expanding firm's operations and indirectly as a result of the expanding firm's increase in demand for locally supplied inputs. The multiplier also addresses the relationship between wages and employee demands on supporting industries, such as retail trade. There is a need for additional employees, who earn wages, as sales in retail trade industries increase. This induced effect measures the impact of expenditures of direct employees to retail and other industries. The total effect of expansion is the sum of these direct, indirect and induced effects.

SYEP NAICS codes and RIMS II multipliers were selected based on the overall/generic activities of the workforce participants. The RIMS II multiplier 561300 Employment Services, which includes temporary employment, was used to calculate the economic impacts for SYEP participants. The 561900 Other Services RIMS II multiplier was used for SYEP participants who continued in unsubsidized employment by their SYEP employer, and S00A00 Government multiplier was used to assess the operations and administration economic impacts.

RIMS II multipliers are available for final demand output, earnings and employment. Final demand multipliers are used to assess the effect a change in output in one industry has on other industries within an economic region. Using final demand multipliers one can assess the total change in output, earnings and employment based on the initial change in output, in this case wage estimates.

Disclaimer

This analysis requires WSU to make predictive forecasts, estimates and/or projections (collectively referred to as "FORWARD-LOOKING STATEMENTS"). These FORWARD-LOOKING STATEMENTS are based on information and data provided by others and involve risks, uncertainties and assumptions that are difficult to predict. The FORWARD-LOOKING STATEMENTS should not be considered as guarantees or assurances that a certain level of performance will be achieved or that certain events will occur. While WSU believes that all FORWARD-LOOKING STATEMENTS it provides pursuant to this agreement are reasonable based on the information and data available at the time of writing, actual outcomes and results are dependent on a variety of factors and may differ materially from what is expressed or forecast. The Local Area Workforce Board assumes all responsibility for any and all decisions made or actions taken based upon the FORWARD-LOOKING STATEMENTS provided by WSU.

Local Workforce Area IV

This report analyzes SYEP for Workforce Alliance, Local Workforce Investment Board IV. The Workforce Alliance was incorporated as a not-for-profit corporation following the passage of the Workforce Investment Act (WIA) of 1998 with the mission of managing federal job training funds and overseeing the workforce development system in South Central Kansas as the Local Workforce Investment Board (LWIB) for Butler, Cowley, Harper, Kingman, Sedgwick and Sumner counties.

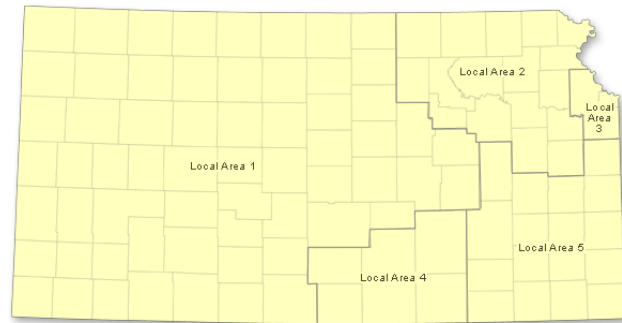


Figure 1. Kansas Local Workforce Investment Areas

Local Area IV received \$1,084,493 in Recovery Act appropriations to operate the SYEP. While the Act does not limit the use of the Recovery Act funds to summer employment, the Congressional explanatory statement for the Act states that “the conferees are particularly interested in these funds being used to create summer employment opportunities for youth.” ETA strongly encouraged states and local areas to use as much of these funds as possible to operate expanded summer youth employment opportunities during the summer of 2009, and provide as many youth as possible with summer employment opportunities and work experiences throughout the year, while ensuring that these summer employment opportunities and work experiences were of high quality.⁴ As of September 30, 2009, \$441,506 of accrued SYEP expenditures have been reported. The remaining funds must be expended by the end of PY 2010 (June 30, 2011).

Local Area IV reported 1,167 applicants for summer employment with 358 youth qualifying and approved. A total of 40 regional employers employed 250 youth for a total of 29,143 hours over the seven-week summer earnings period. More than \$234,204 of direct wages and direct support services were provided directly to the youth.

Administration and overhead expenses included 4,448 hours from 4 full time equivalent staff resulting in direct earnings of \$103,833. The staff developed outreach and recruitment strategies to assist the local area in recruiting youth. Another key element of the program included worksite development, matching eligible youth to appropriate worksites, providing worksite orientations and official monitoring of the worksite, assessing participant’s progress and resolving workplace issues/conflicts. In addition to wage earning, \$8,666 in SYEP operations and administration expenses were accrued. These costs included rent, supplies, insurance, equipment, travel, outreach, etc.

Three youth have continued in unsubsidized employment beyond their summer experience. The economic impact of these earnings is included in the report findings.

⁴ TEGL, Ibid.

Table 2. Local Area IV, SYEP Data Accrued Through September 2009

ARRA Youth Allocation	\$1,084,493.00
SYEP funds accrued expenditures through September 30, 2009	\$441,506.00
Percent of total allocation accrued expenditures	40.71%
YOUTH DATA	
# of applicants	1,167
# of youth approved/qualifying	358
# of youth employed/placed	250
# of employers/sites with SYEP participants	40
Total number of youth hours	29,143
# of weeks employment available	7
Total youth wages paid and direct support services	\$234,204.00
# of youth that remained in unsubsidized employment	3
OPERATIONS/ADMINISTRATION	
# of operations/administration employment for SYEP	4
Total number of hours	4,448
Average hourly wage for operations/administration	
Total wages attributed to operations/administration employment	\$103,833.00
Operations/administration expense	\$8,666.00

To estimate the economic impact of the Recovery Act funds, CEDBR calculated the benefits and costs using the Fiscal Benefit Cost Model. The Fiscal Benefit Cost Model looks at the flows of money from an entity to taxing districts. CEDBR looked at income streams from new sales and purchases of the entity under review, employees and the payrolls associated with employees. For the purpose of this project only employment and earnings data of the youth and operations/administration personnel and operating expense were analyzed.

The model takes each benefit and rolls it through the appropriate tax. As an example, employees get wages which are income taxed. Youth and operations/administration employees in this study spend their income on retail trade, which is assessed retail sales tax and operations/administration employees spend their income on housing, which is assessed a property tax.

The economic impact is estimated by measuring the increase in payroll as a direct result of the Recovery Act expenditures for youth employment and SYEP administration and operations. Additionally, increase in demand for locally supplied inputs will result in an indirect economic impact as a result of firms expanding to support the increased demand. The multiplier also addresses the relationship between wages and employee demands on supporting industries, such as retail trade. There is a need for additional employees, who earn wages, as sales in retail trade industries increase. This induced effect measures the impact of expenditures of direct employees to retail and other industries. The total effect of expansion is the sum of these direct, indirect and induced effects.

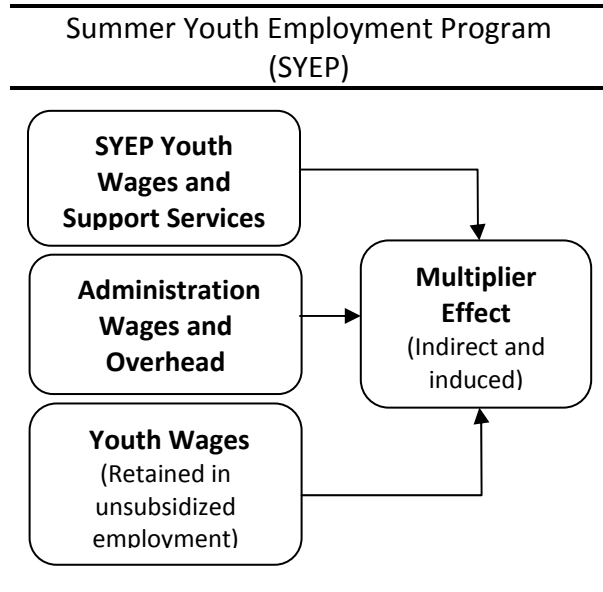


Figure 2. Diagram of Economic Impacts of SYEP

Table 3. Economic Impacts for SYEP in Local Area IV

	SYEP 8 Weeks	Administration- Operations Through September 2009	On-going Unsubsidized Youth Employment*	Non- Wage**	Total Economic Impact
Wage earnings multiplier, region specific	1.366	1.9308	1.643		1.6597
Direct payroll earnings	\$234,204	\$103,833	\$19,575		\$357,612
Total payroll earnings	\$319,923	\$200,481	\$32,162	\$40,959	\$593,524
Direct non-wage expenditures					
Direct expenditures				\$73,324	\$73,324
Output impact				\$128,581	\$128,581
Regional fiscal impacts - Local Area IV (NPV)	\$1,288	\$2,865	\$129		\$4,283
State fiscal impacts (NPV)	\$16,383	\$13,868	\$1,647		\$31,897

* 20 hours per week at minimum wage for remainder of 52-week period

** Non-wage expenditures for contractual services generate indirect and induced earnings

The Recovery Act was intended to rapidly inject federal stimulus into regional economies and support the sectors most impacted by the recession. Local Area IV, through the SYEP, injected \$441,506 into the regional economy. Direct wage earnings accounted for \$338,037 of the stimulus injection resulting in a wage earnings impact of \$593,524 within the regional economy. The economic impact ratio for wage earnings is 1.66. In other words, for every \$1 of regional wage expenditure by SYEP, the regional workforce receives that dollar in wage earnings plus another 66 cents in additional wage earnings generated. Direct non-wage expenditures⁵ were calculated to include \$40,959 total payroll earnings, \$73,324 in direct expenditures and \$128,581 in output impacts. Total regional fiscal impacts for Local Area IV were \$4,283 and state fiscal impacts totaled \$31,897.

Table 4. Total Payroll Earnings to Stimulus Funded Earnings

Earnings from ARRA stimulus funds	Total payroll earnings	Total payroll earning/ Stimulus funded earnings
\$338,037	\$552,565	1.6346

To assess the economic impact of the ARRA stimulus funds, the Center calculated a ratio that measures wage earnings paid from stimulus funds (\$338,037) to the overall payroll earnings (\$552,565). The economic stimulus impact ratio for wage earnings is 1.63. In other words, for every \$1 of regional wage expenditure by SYEP, the regional workforce receives that dollar in wage earnings plus another \$0.63 in additional wage earnings generated.

Non-monetary benefits are also likely realized as a result of summer employment activities that were designed to encourage participants to take responsibility for their learning, to understand and manage their career options, and to develop social skills and a maturity level that will help them interact

⁵ Administration and operations expenses such as rent, supplies, insurance, equipment, travel outreach, contracts, etc.

positively with others. This is especially true for at-risk students and high school dropouts, as summer employment may be one of the few opportunities to learn how to enter the world of work. Research has shown that working during the high school years increases future employment and earnings (Adams & Magnum, 1978; Herrnstadt, Horowitz, & Sum, 1980; Meyer & Wise, 1979; Stephenson, 1979). Furthermore, studies suggest that some of the work programs have been successful in increasing school attendance and retention (Barton & Frazer, 1980; Steinberg, 1982), improving school grades (Barton & Frazer, 1980), and developing positive attitudes toward work and career knowledge (Bucknam, 1976).⁶ Measuring and assessing these impacts was beyond the scope of the study.

An additional component of the study included querying the leadership and staff of Local Area IV regarding the major success and challenges of operating the SYEP in 2009. The responses are listed in the table below.

Table 5. Successes and Challenges of Local Area IV 2009 SYEP

Successes of Local Area IV 2009 SYEP	Challenges of Local Area IV 2009 SYEP
1. First summer youth program in more than a decade, 250 youth had an experience they would not	1. Creating an effective, efficient program in such a short time
2. Contributed to the local economy	2. Eligibility rules made it difficult to qualify many marginal motivated youth
3. Introduced youth, parents, CBO's and employers to the public workforce system	3. Unprepared for the significant barriers some youth had, and employing 14/15 year olds

⁶ Gottfreds, Denise C., Youth Employment, Crime and Schooling: A Longitudinal Study of a National Sample, *Development Psychology*, 1985, Vol. 21, No. 3, p. 419.

Summary: Summer Youth Employment Program Impact Analysis

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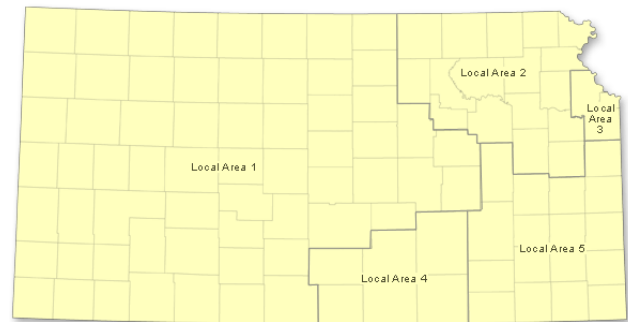


Figure 3. Kansas Local Workforce Investment Areas

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- A total of 40 regional employers employed 250 youth for a total of 29,143 hours over the seven-week summer earnings period.
- More than \$234,204 of direct wages and direct support services were provided directly to the youth.
- Administration and overhead expenses included 4,448 hours from 4 full time equivalent staff resulting in direct earnings of \$103,833.
- In addition to wage earning, \$8,666 in SYEP operations and administration expenses were accrued. These costs included rent, supplies, insurance, equipment, travel, outreach, etc.
- Three youth have continued in unsubsidized employment beyond their summer experience.
- To assess the economic impact of the ARRA stimulus funds, the Center calculated a ratio that measures wage earnings paid from stimulus funds (\$338,037) to the overall payroll earnings (\$552,565).
- The economic stimulus impact ratio for wage earnings is 1.63. In other words, for every \$1 of regional wage expenditure by SYEP, the regional workforce receives that dollar in wage earnings plus another \$0.63 in additional wage earnings generated.
- Non-monetary benefits are also likely realized as a result of summer employment activities that were designed to encourage participants to take responsibility for their learning, to understand and manage their career options, and to develop social skills and a maturity level that will help them interact positively with others.