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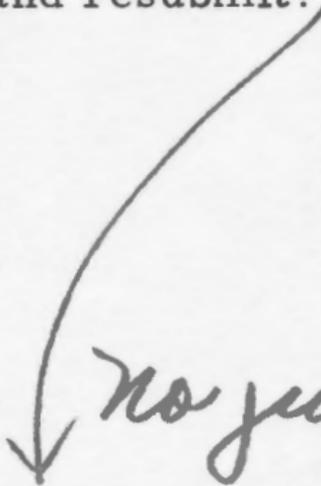
THE WHITE HOUSE  
WASHINGTON

Jim

This came back in one of the Vice  
President's briefing Books --  
No Decision ---- Should we staff  
and resubmit?

Trudy

8/6/76



*no just hold  
per Jim C.*



★ THE PRESIDENT HAS SEEN....

THE VICE PRESIDENT  
WASHINGTON

July 8, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: Job-Scholarships Proposal

Attached is a memorandum which presents the major issues related to the Job-Scholarship program we discussed on May 27. The memorandum was developed jointly by our office, the Domestic Council and the Office of Management and Budget.



THE VICE PRESIDENT  
WASHINGTON

July 8, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: The Job-Scholarship Program -- Decision  
Memorandum

Following your decision on May 27, the Domestic Council and the Office of Management and Budget held a series of meetings to explore the Job-Scholarship concept further in order to develop a legislative proposal for your consideration for introduction within a month. This memorandum outlines for your decision pros and cons regarding moving further on the Job-Scholarship concept.

PROBLEM

Youth unemployment statistics remain very high. Among youth 16 to 20, the unemployment rate is 19.2 percent or 1.75 million persons; among minority youth the rate is 39.2 percent or 375,000 persons. Although the figures may overstate the number of youth in need of assistance, they are sufficiently dramatic to attract considerable attention and concern.

We believe the problem is not principally one of unavailable jobs. Youth may be more adept at securing employment than other age groups in the labor market. The problem is that most jobs open to untrained youth are unsatisfactory to the youth. They may present no long-term career path to youth seeking full-time employment. Also, many youth perceive jobs available to them are this kind, regardless of the real long-term opportunity present. As a consequence, youth tend to quit their jobs at a high rate, thus leaving a large number of youth to be counted unemployed and continuously seeking new job opportunities.

Presumably contributing to this problem are the minimum wage laws. Because employers with few exceptions must pay youth the minimum wage or more, employers are reluctant to employ youth in skilled jobs in which the employer would have to absorb the costs of training plus the minimum wage. Consequently, the employer, for the most part, will only offer youthful job seekers low-skilled work which requires little or no training. They may reserve jobs leading to skilled work for those applicants whom they deem more likely to stay long enough to reward the employer for his training investment.

One primary strategy might be to change the attitudes of youth about work and the attitudes of employers about youth. Unfortunately, we do not know how to do this. Broad scale experiments at Labor are underway to address this point.

An issue, then is whether more should be done to provide disadvantaged and minority group youth seeking full-time work more opportunities to acquire skilled jobs and receive useful training. This could either be added to or replace programs and services already being provided to disadvantaged youth (i.e., CETA: \$1 billion in the school year, \$528 million in summer).

Among the proposals that have been considered has been the lowering of the minimum wage for youth. This is not considered realistic because of the strong union pressure to raise the minimum wage.

An alternative which may be more politically viable is to provide a financial incentive to employers to take youth into skilled jobs and to train them. The Job-Scholarship proposal represents this type of mechanism.

#### JOB-SCHOLARSHIP PROPOSAL

A Job-Scholarship is a voucher which the youth would exchange with employers for a skilled job and training for a specified period of time.

The Job-Scholarship could be viewed as similar in concept to the Basic Opportunity Grant Scholarship with which disadvantaged youth can obtain a college education. Under the Job-Scholarship concept, the disadvantaged youth obtain the training and the opportunity to establish themselves in a

satisfying career pattern similar to the way in which Basic Opportunity Grant recipients obtain a college education and the related career opportunity.

The Scholarship is envisioned as a fixed grant of \$1,000 for one year of training or employment which would be renewable for an additional year if the recipient successfully completed the first year's program.

The scholarship would be limited to the poor defined as those with incomes below 150 percent of the poverty level. It would only be usable to purchase employment in full-time skilled jobs, determined by the Department of Labor to provide a clear long-term career path and significant potential for increasing wages and responsibility.

The program would be coordinated by a newly created youth job service which would be responsible for seeking out and certifying job opportunities which would be eligible for participation in the Job-Scholarship program. It would also determine recipient income eligibility.

The Job-Scholarship concept should be phased in at a point when the economy approximates full employment, projected to be near the third quarter of Fiscal Year 1978. In such an economy, potential youthful entrants into the full-time skilled labor market would be least likely to displace full-time head-of-household workers. This approach might cause youth to have an advantage over other secondary wage earners such as women.

The Job-Scholarship program will require funding of about \$.5 billion per year. This is estimated as the amount necessary to cover unemployed disadvantaged youth and to "buy in" to some of the skilled jobs where youth are currently receiving training, but where employers would prefer to take youth with scholarships in the future. This "buy in" effect may be somewhat mitigated by the fact that current on-the-job training programs should have already begun to subsidize in-plant training.

#### ISSUES FOR DECISION

##### Issue A: Whether or Not to Advance a Job-Scholarship Proposal

###### Pro:

- The Job-Scholarship is compelling politically as a very direct and visible response to the youth unemployment problem--it does not guarantee a lowering of the youth

unemployment rate, but it provides more opportunities for youth to obtain satisfying jobs in a full-employment economy.

- The Job-Scholarship program, as opposed to the more general CETA programs, is focused directly on youth and their employment needs. Only about 27 percent of those in CETA OJT programs are youth.
- The voucher mechanism allows the youth to compete more flexibility in the labor market and provides each youth with the independence to select the type of employment which he feels would be most interesting and satisfying.
- The Job-Scholarship provides a direct incentive for employers to hire and train youth for more skilled jobs than they would otherwise be able to obtain.
- The youth employment situation is getting more and more attention in the Congress and elsewhere. A proposal now would show responsiveness and concern for a popular issue.
- Many of the youth potentially in need are minority, a group which disproportionately requires assistance in obtaining jobs.
- From an equity point of view, the Job-Scholarship provides career opportunities for disadvantaged youth entering the labor market in the same way that the Basic Opportunity Grant program provides opportunity for youth going to college.

Con:

- Sponsors under CETA devote 60 percent of their Title I funds to youth. A new program separate from the CETA mechanism could lead sponsors to lower the present level of effort (there is no legal way to force them to maintain it) thus reducing the total net Federal effort. (The Job-Scholarship concept could, alternatively, replace rather than supplement current programs).
- A categorical youth program would be hard to rationalize in view of our Block Grant approach for manpower programs in general, and our advocacy of new block grants elsewhere.

- There is no experience with this type of voucher; there is little reason to believe these youth can successfully negotiate with the employer. What experience there has been with wage subsidy mechanisms such as the JOBS program or the WIN-AFDC tax credit suggests significant employer resistance to this approach.
- Administrative difficulty: it will be difficult to categorize jobs with career potential in order to certify them for this program; to determine eligibility of recipients for this program; to assure that employers are in fact providing training (although no more difficult than the current JOBS program; and to prevent some employers from obtaining a subsidy for training which they already provide. This program will therefore require a new and substantial administrative structure.
- Although there is little strong evaluation evidence of it, current CETA youth programs may work to move youth into employment. It is possible that they do it more efficiently than this new construct could. In short, our understanding of the youth unemployment problem may be too limited to advance a new proposal at this time.
- Labor unions will recognize the establishment of a Job-Scholarship program as a way of introducing a youth sub-minimum wage.
- The program will either add \$.5 billion to FY 78 Budget or it will require an equal off-set out of projected CETA funding. If it adds to the budget it will make it difficult to reduce the deficit and if it is off-set by CETA it will be strongly resisted by local manpower institutions.

Issue B: Whether the Job-Scholarship Should Be Tried Out  
On a Demonstration Basis Before Full-Scale Implementation

Pro: (Demonstration First)

- A major new program initiative such as the Job-Scholarship should be fully tested and demonstrated before broad implementation.

Con:

- The Job-Scholarship concept will be most effective when the economy reaches the full employment stage, currently projected at late Fiscal Year 1978. In order to fully implement the Job-Scholarship concept by late Fiscal Year 1978, advancing legislation and a commitment to full-scale implementation is necessary now.

DECISION

- A. Introduce Job-Scholarship legislation.

Agree \_\_\_\_\_

Disagree \_\_\_\_\_

- B. If you choose not to introduce Job-Scholarship legislation, develop a Job-Scholarship demonstration project.

Agree \_\_\_\_\_

Disagree \_\_\_\_\_

