NO END IN SIGHT?
The Long-Term Youth Jobs Gap And What It Means for America

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a policy brief by Rory O’Sullivan & Alistair Johnston
About Young Invincibles

Young Invincibles is a non-partisan, non-profit youth organization that seeks to expand opportunity for all Americans between the ages of 18 and 34. Young Invincibles engages in education, policy analysis, and advocacy around the issues that matter most to this demographic, focusing primarily on health care, education and economic opportunity for young adults, and working to ensure that the perspectives of young people are heard wherever decisions about our collective future are being made.

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Executive Summary

The economy has hit young Americans hard over the past five years. While the national unemployment rate is 8.2 percent, the unemployment rate for 16- to 24-year-olds more than doubles to 16.5 percent. For Latino youth, that figure jumps to 20.5 percent, and for African Americans, it skyrockets to 30.2 percent - almost four times the national average.1

However, even these startling statistics understate the problem. Not only are youth struggling to find jobs, but dismal prospects have also driven many of them from the labor force entirely. The standard unemployment rate does not count those who have given up any hope of finding work. At the moment, fewer than half of 16- to 24-year-old Americans hold any kind of job at all; fewer young people were working during the recession than at any time since our nation started tracking unemployment data.2

Given the current economic malaise, Young Invincibles decided to explore what the youth job market might look like over the next decade. This report answers the question by comparing the number of youth jobs we have now with how many we would have in a healthy economy. The new analysis estimates the size of this “youth jobs gap” and how long it will persist. The results are not encouraging:

- Even under optimistic assumptions, the youth labor market will not fully recover until 2021 without intervention.
- Unless trends change dramatically, there is a real danger that the youth labor market will never recover from the recession’s blow.
- The American economy is currently “missing” an estimated 2.7 million youth jobs.
- More young people went back to school during the recession, but this migration does not come close to accounting for the lost jobs.

These are not unduly pessimistic projections. In 2010, the Bureau of Labor Statistics predicted that young people would never regain their 2007 employment levels. The new status quo runs counter to our expectations about the American Dream - rather than opportunity, young Americans can anticipate unemployment and underemployment through much of their 20s, resulting in lower earnings for years to come. Moreover, high youth joblessness combined with lower incomes may lead to weaker economic growth. Persistent youth unemployment could not only alter what it means to be young in America, but also stifle future opportunities for succeeding generations.

Despite the discouraging situation, there remains room for action. America’s leaders must aggressively pursue policies that facilitate the creation of youth jobs, which would restore opportunity for this generation and safeguard the country’s economic future. To illustrate the point, expanded investments in AmeriCorps, summer and year-round jobs,
Youth Opportunity Grants, YouthBuild, TANF, and Conservation Corps could close the youth jobs gap by 2016. For example, increased investment in AmeriCorps alone could add 500,000 jobs a year at an annual cost of $6.5 billion (less than the monthly cost of maintaining troops in Afghanistan) bringing us closer to a full recovery for the youth workforce. (See Appendix 4 for details.) We will be releasing a comprehensive policy agenda in August 2012 laying out a variety of solutions to address youth unemployment.

The situation is grim, but not hopeless. We owe it to this generation and to the future of our country to take action to preserve the American Dream for our youth.

Methodology

In order to estimate the size of the youth jobs gap, we compared current youth employment totals to the United States Bureau of Labor Statistics’ (BLS) projections from 2008 through 2018. These estimates use data from 2007 to offer a marker for what the economy would have looked like if the recession never occurred. For every year after 2007, we took the size of the youth labor force as projected by BLS, and applied a youth unemployment rate we might expect in a healthy economy. From this number, we subtracted the actual number of jobs that young people had during those years, resulting in the number of jobs “missing” every year. (See Appendix 1 for a detailed explanation.)

We found that there are 2.7 million fewer jobs for people ages 16 to 24 than there would have been if the economy remained healthy.

In order to calculate how quickly these missing jobs could be replaced under different scenarios, we examined monthly job gains for some of the best recent economic periods. We assumed this same number of jobs would be added each month, and adjusted for expected demographic changes. In contrast to projected trends in the general labor force, there will be fewer people in the 16- to 24-year-old demographic in the years to come, as well as a smaller proportion of 16- to 24-year-olds working. This means that if the same numbers of young people employed today are employed going forward, some missing jobs will be recovered.

Missing Jobs

We found that there are 2.7 million fewer jobs for people ages 16 to 24 than there would have been if the economy remained healthy. This is a staggering number, roughly the size of the entire population of Chicago. Getting all of these young Americans back to work will not be easy. Even under optimistic assumptions, it could take as long as a decade to fill the hole. More worrisome are the most recent BLS estimates, which predict that youth jobs will never return to their pre-recession levels. This fact may have serious long-term consequences for the future of our country.

A Long Road to Recovery

To get a sense of the scale of the problem, we es-
estimated how long it would take to close the 2.7 million job hole under different growth rates. For instance, if the youth labor market expands at the rate it did during the best year in the 1990s (1998) or 2000s (2004) it would take until 2015 or 2016, respectively, to recover its pre-recession form (Figure 1). Unfortunately, because those were exceptional circumstances, it is unlikely the economy could sustain that growth for several years. The average monthly jobs added during the entire decade of the 1990s offers a more realistic, but still optimistic, baseline. If the economy added youth jobs at the 1990s rate, it would take until 2021 to reach pre-recession youth employment levels.\(^5\) (See Appendix 2 for additional examples).

Yet even that scenario may prove unreachable. The 1990s saw the longest economic expansion in U.S. history, and it predictably supported the strongest youth labor market in decades. In contrast, during the 1980s and 2000s, young people actually lost jobs.\(^6\) Therefore, even if we could recreate our best economic conditions, it would take almost a decade for young Americans to regain the ground they lost. As a result, young Americans are left hoping for an ideal recovery that would take far too long for millions of young people.

**Getting Worse All the Time**
Experience provides little hope that the youth labor market will recover quickly on its own. Over the past several decades, the job market in
each recession has taken longer to mend than the previous one. Young workers are no exception.

After the 1981 recession, young people made a relatively speedy recovery, returning to their pre-recession unemployment rate in less than three years (Figure 2). It took significantly longer after the 1990 recession; more than seven years passed before young people regained their pre-recession unemployment rate. The youth labor market never fully recovered from the 2001 dot-com crash. And four and one-half years after the Great Recession hit in 2007, the youth unemployment rate is 141 percent of where it was in 2007. During no other downturn in recent memory was the unemployment rate so high for so long.

**Gone Forever?**

Although sustained growth in the youth labor market could eventually close the jobs gap, this is not a foregone conclusion. In fact, the most recent BLS projections do not expect young people...
The Bureau estimated young people would have roughly 2 million fewer jobs than the pre-recession prediction by the end of the decade (Figure 3). In contrast, the BLS forecasts that workers over age 25 would nearly regain their employment level by 2020 (Figure 4). The projections are not flawless; already the youth labor force outperformed expectations in 2011 and may do so again in 2012. Still, these dismal predictions should alert us to the potential severity of the problem, since they may be the best guide we have to the future of the labor force. The fact that they show a youth jobs gap that continues indefinitely raises the question: will the youth labor market ever recover? If not, the consequences for our nation’s future could be dramatic.

Young and Unemployed: The Long-Term Impact

Research findings on unemployment’s effects on young people are unequivocal: lack of work leads to lower lifetime wages and worse economic prospects. One study found that men who lose their jobs when unemployment is above 8 percent lose 2.8 years of earnings. Another found that for every percentage point increase in the unemployment rate, new labor entrants have wages 6 to 7 percent lower than similar people who graduated during healthy economic
times. This effect diminished over time, but was still visible 15 years later, when those who had graduated into rough economic times received wages 2.5 percent lower than their compatriots for every percentage point increase of unemployment when they entered into the labor market. Project these figures out for millions of unemployed young people, and we can expect darker economic conditions for over a decade.

Moreover, high unemployment and lack of opportunity contribute to a trend known as “disconnected youth”: young people who are neither in school, nor working, and often do not have a high school degree. Predictably, members of this contingent suffer significant consequences as a result of their detachment. Disconnected youth do not learn the work skills or build the social networks necessary for future success, and they are at risk of raising children in poverty, who will themselves suffer many negative effects. Nationwide, the number of disconnected youth is an estimated 6.7 million. A recent report estimated that having this many disconnected youth contributes to an aggregate cost to taxpayers of $1.56 trillion and a cost to society of $4.75 trillion. If we fail to change course soon, we risk serious, unaffordable damage to our economy and this generation’s dreams.

Recommendations

Permanently depressed youth employment is unacceptable. It will scar not only Millennials, but each successive generation of young Americans: literally the future of our country. Thank-
fully, this problem is solvable; we have the tools to create jobs for young people that will get them back to work and back on track for economic success. For example, ramping up programs like AmeriCorps, summer and year-round jobs programs, Youth Opportunity Grants, YouthBuild, TANF, and Conservation Corps could significantly reduce youth unemployment. Later this summer, Young Invincibles will release a detailed and comprehensive policy agenda that lays out a path to address youth unemployment and expand opportunity.

For example, if we created 1.5 million youth jobs we could push the youth labor market to recovery much faster than predicted. Assuming an additional 500,000 jobs every year (500,000 the first year, 1 million the second year, and 1.5 million the third year), a targeted youth jobs program could mean the difference between closing the jobs gap in May 2016 rather than December 2021. We would cut the number of “missing” jobs in half. These are initiatives that we simply cannot afford to ignore.

Take for example a large-scale increase in the AmeriCorps program as a part of a series of reforms. The current AmeriCorps program costs roughly 743 million per year and provides jobs to 82,411 service members. While the number of funded AmeriCorps jobs is shrinking, interest in the program is growing. Last year there were 582,000 applicants to AmeriCorps, up from 536,000 in 2010. By increasing the sup-
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ply of AmeriCorps jobs, we could meet this record demand. We estimate that increasing the number of AmeriCorps jobs to 500,000 a year, would annually cost $6.5 billion. (See Appendix 4 for more information). This would fill a serious piece of the youth jobs gap.

The situation is win-win. Young people are eager to get back to work, serving the greater public good in the process. Our country, still working to sort through the wreckage of the Great Recession, has a greater need than ever for the kind of community service AmeriCorps provides. Through an increase in AmeriCorps funding, the United States can tackle both of these problems at once, helping to ensure that young people do not suffer permanent economic scars while working to rebuild necessary services in our still fragile country.

Taking these bold steps is also feasible politically. We have seen that we can achieve bipartisan progress on youth and student issues when youth are organized and political leaders are moved to take a stand. For example, Young Invincibles and youth partners recently led a successful campaign to prevent student loan interest rates from doubling on July 1, 2012. The campaign ultimately drew support from President Obama, Governor Romney, and Congress with a $6-billion fix passed with 74 votes in the Senate and 373 votes in the House. A similar size expenditure targeted at youth employment programs, including AmeriCorps, could go a long way toward restoring opportunity to our generation. This example hopefully helps to illustrate the point that the youth jobs gap is solvable. Our upcoming youth policy agenda will describe in greater detail how such a policy could work, as well as a variety of other policy solutions.

Conclusion

The current recession proved worse for young people than any other since the Great Depression. Young adults have persistently high unemployment rates and are withdrawing from the labor force in greater and greater numbers. There are 2.7 million fewer youth working than would be expected under healthy economic conditions, a fact that could have negative consequences that reverberate for years.

Perhaps most frightening is the prospect that the current economic conditions for youth may never end – that the new American status quo is one of permanently elevated unemployment and underemployment. Unless the government takes dramatic action, the best-case scenario is that it takes nearly a decade to recover missing youth jobs. This is not acceptable, but it is also possible to avert that outcome.

This paper lays out one compact initiative to expand the size of AmeriCorps. Young Invincibles will be present-

Ramping up programs like AmeriCorps, summer and year-round jobs programs, Youth Opportunity Grants, YouthBuild, TANF, and Conservation Corps could significantly reduce youth unemployment.

...together, invincible
ing other ideas as part of our Young American Dream Agenda later this summer. Young adults cannot wait for the political will to materialize – we need to force our political leaders to understand that they have no choice but to act. Together, we can get young adults back to work and guarantee that our generation and future generations have a shot at a brighter tomorrow.
Appendix 1

We calculated the missing youth jobs by using BLS projections for the youth labor force in the years 2008 to 2018, based on data from 2007, the last year the economy was fully healthy. We applied a “typical” unemployment rate, to calculate how many jobs would have existed during this period. We then subtracted this from the number of jobs that actually did exist to create a “jobs gap” of missing youth jobs.

For years after 2018, the end date of BLS projections, we used census projections for the population size. Because no Census data was available for 2007, the year of BLS projections, we used data from 2008 and adjusted it to match BLS projections. To do this, we took the projections for the last four BLS years – 2015, 2016, 2017, and 2018 – and divided them into the corresponding Census projections for the same years to get a ratio difference between the two sets of projections. We then divided all the 2008 Census projections by this ratio (1.0151) to adjust them to BLS levels.

Finally, we used the trending labor-force participation rates for BLS projections to estimate the labor-force participation rate beyond 2018. For 2018, BLS projected the labor force participation rate for youth to be 54.5% and decreasing by 0.7% every year. We simply continued this trend going forward, assuming there would be a 53.8% labor force participation rate in 2019 and so on. While this method is rough and could conceivably lead to different predictions than those of BLS far into the future, we only projected population and labor force participation rates three years beyond those projected by BLS. The predictions also followed BLS’s pattern very closely.

The method we used depends on a number of factors that could influence our estimate of the jobs gap. We assumed an unemployment rate of 11% in a healthy economy. While this number is higher than the youth unemployment rate during most of 2007, the unemployment rate has been slowly trending up in recent years, settling just above 10% before the recession. Other analysts also predicted that this trend would continue. The jobs gap also depends on the labor force participation rate, which can vary over time. It has trended downward in recent years for young people, mostly due to an increase in school attendance. The 2000s saw a decline in the overall size of the labor force, and BLS projections from 2007 essentially continued that pattern. The size of the labor force also depends on the size of the population. This can change as immigration patterns change. A healthy economy will typically attract more immigrants than one coming out of a recession. The absence of these immigrants after a recession – who would be expected to join the US work force under healthier conditions, and thus be included in calculations of anticipated jobs – means more missing jobs.
Appendix 2

Below are average monthly youth job additions during various recent periods of economic expansion, and the year the missing jobs would be fully recovered if the youth labor market grew at the rate it did during these strong periods.

<table>
<thead>
<tr>
<th>Various Economic Periods</th>
<th>Jobs Added Per Month</th>
<th>Years Missing Jobs are Recovered</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Best Year in the 1980s (1983)</td>
<td>▶ 40,677</td>
<td>▶ 2016</td>
</tr>
<tr>
<td>▶ Best Year in the 1990s (1998)</td>
<td>▶ 46,833</td>
<td>▶ 2015</td>
</tr>
<tr>
<td>▶ Best Year since Recession Began (2011)</td>
<td>▶ 45,000</td>
<td>▶ 2016</td>
</tr>
<tr>
<td>▶ 1980s Average</td>
<td>▶ -26,575</td>
<td>▶ Never</td>
</tr>
<tr>
<td>▶ 1990s Average</td>
<td>▶ 9,150</td>
<td>▶ 2021</td>
</tr>
<tr>
<td>▶ 2000s Average</td>
<td>▶ -28,433</td>
<td>▶ Never</td>
</tr>
</tbody>
</table>
Appendix 3

By using current BLS projections for the size of the youth labor force in coming years, the current unemployment rate, and its current yearly rate of change (about 16 percent and a drop of about a percentage point a year, respectively), and subtracting those figures projected from 2008 to 2018 under healthy economic conditions, we were able to estimate the future of the jobs gap. We continued to adjust the unemployment rate down by its current rate of change until it reached 11 percent, our baseline assumption for a healthy economy. We did the same thing for those 25 and older. Unlike youth, this group had a pre-recession unemployment rate of around 4 percent. They also typically have a lower unemployment rate (6.9 percent most recently) that was shrinking by about .6 percentage points a year. We continued to apply this rate of decline to the unemployment rate until it reached the 4 percent level.
Appendix 4

The Corporation for National and Community Service (CNCS), in their Congressional Budget Justification Fiscal Year 2013, estimates the cost of a member service year (i.e. having an AmeriCorps member complete an entire year or 1,700 hours of service) at $7,772 for AmeriCorps State and National, AmeriCorps’ biggest program. The cost of the Segal AmeriCorps Education Award – the award each AmeriCorps member is entitled to after service, which can be used to pay off student loans, student loan interest, or go directly to pay for education – was found to be $4,022.20 per member service year. The actual amount of the award is $5,550, but because not every AmeriCorps member uses his or her award immediately (time during which interest can be accrued) or at all, the entire award amount does not have to be funded. By using the percentage of the CNCS’s operational budget dedicated to AmeriCorps (61.86 percent), and multiplying this percentage by the total administrative costs requested in FY 2013 ($103.4 million), and then dividing this figure by the total estimated number of AmeriCorps member service years for 2013 (52,754), we get the estimated administrative cost per member service year, $1,212.24. If we add all these costs together, we get an estimate for the total cost of an additional AmeriCorps job: $13,006.60. To hire 500,000 AmeriCorps members per year would cost about $542 million per month under the Young Invincibles plan. By contrast, the war in Afghanistan is set to cost about $7.13 billion per month, during FY 2013, and cost $8.79 billion per month during FY 2012, the most recently enacted budget.
End Notes


2. Ibid.

3. Note that even in a healthy economy, youth unemployment tends to be slightly higher than the average.


6. Ibid. Note however that although some of the losses during the 2000s could be attributed to higher post-secondary school enrollment, young people of all levels of education who were out of school had much lower rates of employment, and much lower rates of full-time employment, at the start of the Great Recession than they did in 2000. Andrew Sum and Joseph McLaughlin, “Out with the Young and in with the Old: U.S. Labor markets 2000-2008 and the Case for an Immediate Jobs Creation Program for Teens and Young Adults,” Center for Labor Market Studies (2008), available at http://iris.lib.neu.edu/cgi/viewcontent.cgi?article=1017&context=clms_pub. Losses for both employment and full-time employment were far worse for high school dropouts than for college graduates, but still substantial for those who had graduated from college. Although this study compared young people at the start of the Great Recession, in October/November 2008, to young people in October/November 2000, it clearly shows that the trend noted had been developing for some time before the recession struck.


9. Ibid.


11. Ibid. (See Appendix 3 for methodology).

12. Steven J. Davis and Till M. von Wachter. “Recessions and the Cost of Job Loss,” NBER Working Paper Series Working Paper 17638 (2011). This paper looked at men under 50 who had been at the same firm for at least three years, though previous research by one of the authors indicated that the effect was similar for less attached workers.

13. Lisa B. Kahn “The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy.” Working paper, August 13, 2009, available at mbayale. edu/faculty/pdf/kahn_longterm.pdf. This study examined white, male college graduates from the 1979 National Longitudinal Survey of Youth. Recognizing that graduation might be an endogenous variable, manipulated by students in bad economic times, the author used birth year to predict graduation rate. She found that this still led to the high earnings losses reported here.

14. Adrienne L. Fernandes and Thomas Gabe, “Disconnected Youth: A Look at 16- to 24-Year Olds Who Are Not Working or In School,” Congressional Research Service (April 22, 2009), available at www.fas.org/sgp/crs/misc/R40535.pdf. It should be noted that this study did not include regressions, and the negative effects of disconnection could be attributed to other unobserved variables correlated with being disconnected, such as a lack of motivation.

End Notes

16. Corporation for National and Community Service, “Congressional Budget Request Fiscal Year 2013” (2012), available at http://www.nationalservice.gov/pdf/300006-000CBJ_2012_final.pdf. These figures are for Fiscal Year 2011, the most recent year for which the full number of service positions is available. For more information on the methodology used to calculate the cost of the AmeriCorps programs, see Appendix 4.


21. Ibid.


24. Ibid.

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