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STUCK

YOUNG AMERICA'S PERSISTENT JOBS CRISIS

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EXECUTIVE SUMMARY

Young adults are in a critical period of change and choices, as they confront the decisions that will pave the way to their futures. But the generation coming into its own in the aftermath of the Great Recession faces challenges that threaten to undermine even the best laid plans. Dēmos investigated the Bureau of Labor Statistics data for young adults in 2012 in order to see how the experience of young people today affects their prospects for tomorrow. We found that last year passed with no significant gains for young people, who continue to endure a jobs crisis even as the economy recovers. The latest numbers from 2013 reveal no significant change in the trend. Without policy targeted to the needs of young adults, we risk a generation marked by the insecurities of the Great Recession for the rest of their working lives. .

Key Findings

YOUNG PEOPLE ARE FACING A JOBS DEFICIT OF OVER 4 MILLION JOBS. The economy needs to add 4.1 million new jobs for young adults in order to return to employment at the same levels as before the recession began. If we continue to add jobs at the current rate it will be 2022 before the country recovers to full employment. Even then, workers under 25 will face unemployment rates double the national average.

YOUNG ADULTS GAINED LITTLE GROUND IN 2012. Altogether, there are more than 5.6 million 18 to 34-year-olds who are willing and able to take a job and actively looking for work, but shut out of opportunities for employment. These young adults compose 45 percent of all unemployed Americans. An additional 4.7 million young people were underemployed—either working part time when they really wanted full-time positions or marginalized from the labor market altogether. Last year, the unemployment and underemployment rates for people under 25 were more than double those for workers over 35.

YOUNG AFRICAN AMERICAN AND HISPANIC WORKERS FACE HIGHER UNEMPLOYMENT AND UNDEREMPLOYMENT THAN WHITE WORKERS IN THEIR AGE GROUPS. Young adult Hispanic workers experience unemployment rates 25 percent higher than those of whites, while African Americans face rates approximately double. One in four African Americans between ages 18 and 24 is looking for a job but cannot find one, as are more than one in seven Hispanic young adults.

THE GREATEST EMPLOYMENT DIFFERENCES IN ANY AGE GROUP APPEAR BY EDUCATION, SHOWING THOSE WITH NO COLLEGE DEGREE ARE AT A SIGNIFICANT DISADVANTAGE IN THE JOB MARKET. The unemployment rate for workers with a high school diploma is twice as high as unemployment among workers with a Bachelor's degree. In the 18 to 24-year-old age group, 19.7 percent of high school graduates with no college experience were unemployed and 1 in 3 was underemployed. Among 25 to 34-year-olds 11.2 percent of those with only a high school degree were unemployed and 1 in 5 were underemployed.

THERE WAS NOT ENOUGH JOB GROWTH IN 2012 TO PULL YOUNG PEOPLE BACK INTO THE WORKFORCE. In 2012, the labor force participation rate of 18 to 24-year-olds declined to its lowest point in more than four decades. At the same time, 25 to 34-year-olds stopped leaving the job market for the first time since the recession began, but the gains were small. Workers with a four-year degree are 9 to 12 percentage points more likely to be in the labor market than workers with a high school diploma in every age group.

DECLINING LABOR FORCE PARTICIPATION RATES HAVE STRIPPED THE PRODUCTIVE CAPACITY OF THE U.S. WORKFORCE. If young people participated in the labor force today at the same rates they did in 2007, there would be 2.18 million additional 18 to 34-year-olds in the workforce.

POLICY HAS THE POTENTIAL TO REDRESS THE FAILURES OF MARKETS AND PROTECT OUR COLLECTIVE FUTURE. Public investment to directly employ young adults—especially young adults of color and those without a college degree—could address the jobs crisis facing this generation, contribute to the recovery through increased consumer spending, and accomplish the kind of strong, stable, and diverse society that we envision for our future.

Introduction

Early adulthood is a time of change and choices. Young people progress out of high school or college and into the work force, out of their parents' homes and into their own households, and they face decisions about relationships, careers, ideals, and values as they embrace the goals and responsibilities that will pave the way to their futures. But for Millennials reaching this critical period of transition, time is standing still. For many young people the promises of finding a good job, starting a family, or making a better life for themselves are all on hold as they struggle to locate any opportunity in an economy that is reluctant to provide the chances necessary for forward motion. Instead, this generation of young adults spent 2012 striving for better positioning in a labor market that pushed them toward the sidelines, resulting in historically low labor force participation rates and more economic drag.

For this generation, obstacles appeared on the pathway to a stable and secure working life long before the Great Recession. People with a college degree are still the minority of young workers, but over the past 30 years they were the only group to see real earnings gains.[1] Among those with no college experience incomes actually declined—as much as 25 percent in the case of men who entered the workforce with only a high school diploma. At the same time, the cost of living continued to grow and the expenses of raising a family, buying a home, attaining health care, or achieving a postsecondary education put those pursuits increasingly out of reach. Unlike previous generations, when young Americans could expect to do better than their parents, young adults today struggle to find jobs that offer the prospect of even maintaining the standard of living with which they grew up.

> "...young adults today struggle to find jobs that offer the prospect of even maintaining the standard of living they grew up with."

The persistence of racial and ethnic disparities puts this generation even farther behind as the population becomes increasingly diverse and increasingly unequal at the same time. Young people of all races and ethnicities are having a hard time establishing a career path, but African American and Hispanic workers fare worst, with higher unemployment rates even in the best of times and an earnings gap that has yet to be successfully eliminated through policy or practice. The opportunity for an equal shot at economic success is one of America's great strengths, offering young people the incentive to strive and a reason to believe in the future of the country. The systematic exclusion of young people of color from that opportunity weakens the promise of America now and in the future, jeopardizing our social cohesion, civic participation, and economic progress.

Then, after 30 years of policy that failed to address the trends of widening inequality, income stagnation and declining living standards, the 2007-2008 financial crisis and its aftermath set the generation back even further: wiping out net worth, stalling labor markets, and displacing millions of young people eager for jobs. Today's high rates of unemployment not only refuse millions of young adults the chance to get ahead by working hard, they also hold down wages for those lucky enough to find employment. Pervasive joblessness increases the risk of changing jobs or negotiating for better pay; that in turn reduces the capacity for workers to identify the position where they can be most productive, stifling their careers as well as economic growth. Instead of gambling on a risky labor market, people in their 20s and 30s are working the same part-time jobs they have held to make do until better opportunities arise, often working in fields they do not like and letting what skills they have amassed go to waste.

The greatest pressures mount at the bottom, as workers with college degrees take positions in low-wage industries out of necessity, increasing the competition for bad jobs and shunting those with less formal education into positions with even lower wages and mobility. More jobs that used to provide a stable income for anyone willing to work now require a college degree just to score an interview. Today's young people attend college in record numbers because they recognize that the best way to attain income security is through education. But increasingly, graduates emerge from college burdened with student debt and unable to find positions that offer high wages, benefits, or the entry point to an enduring career. As those graduates take whatever opportunities they can find to pay the bills, the options for less-educated workers narrow even further.

This generation of young adults will bear the scar of the Great Recession well into their working lives. If we continue to add jobs at the 2012 average rate, it will take until 2022 before the country recovers to full employment and restores the opportunities that our young people need. Meanwhile, those attempting to establish financial independence are held back by bad timing and inadequate policy response. They will start their careers later, earn less, and put off the kinds of investments that establish security for the future. Last year passed with no efforts to address this trajectory and young people muddled through. The latest numbers from 2013 reveal no significant change in the trend. Looking at the labor market experience of people under 35 shows a generation running in place; despite the efforts and attitudes of young adults, life is moving forward but their position stays the same. ■

Unemployment Rates for Young People Remain High, Especially for People of Color and Those Without a College Degree

The national unemployment rate reached its highest point in over two decades during 2010 and remains, three years later, formidably high. In 2012 annual GDP growth clocked-in at just 2.2 percent and unemployment declined by less than one percentage point, ticking down to a post-recession low of 7.8 percent to end the year.

Protracted joblessness can create a vicious cycle in the economy, depressing consumer demand, slowing production, and decreasing employment growth. Without effectual intervention from public or private stimulus, the labor market spent most of 2012 creeping toward recovery at a pace just above the bare minimum necessary to absorb a growing population.

Under these conditions the most vulnerable populations suffer worst. Younger workers are at a disadvantage in hiring decisions due to lower job-specific experience and less-established professional networks. As a result, the unemployment rates for people under 25 are more than double those for workers over 35 *(Figure 1)*. The pace of change was so slow in 2012 that many people in this age group gave up hope and left the labor market altogether, finding that the costs of looking for employment overshadowed their chances of finding it.

FIFTEEN PERCENT of young adults ages 18 to 24 looked for jobs and could not find them in 2012. That's an unemployment rate 1.2 percentage points lower than the average for 2011, but still more than 5 points higher than before the recession began *(Figure 2)*.

ANOTHER 8.3 PERCENT of young people ages 25 to 34 were unemployed last year *(Figure 1)*. Unlike the younger group, 25 to 34-year-olds achieved gains between January and December that put them on par with the national average for the population overall, yet they remain more likely to be unemployed than older workers.

Altogether, there are more than 5.6 million 18 to 34-year-olds who are willing and able to take a job and actively looking for work, but are shut out of opportunities for employment.

Figure 1. | 2012 UNEMPLOYMENT RATES BY AGE

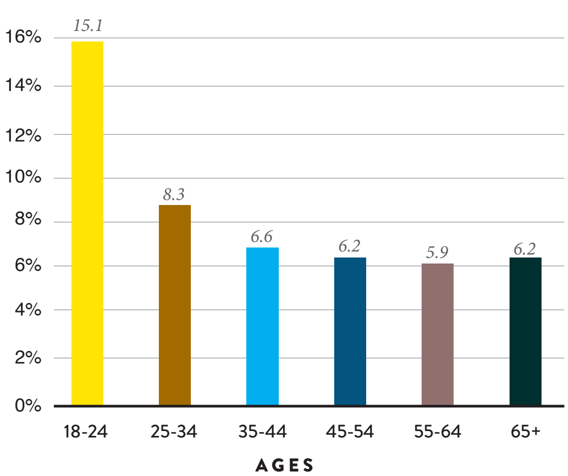
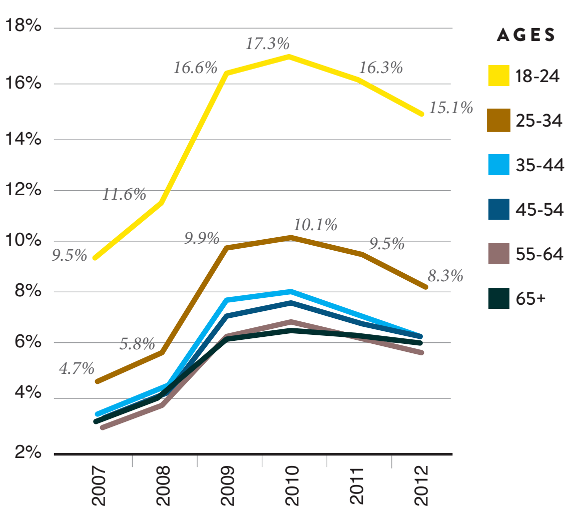


Figure 2. | ANNUAL UNEMPLOYMENT RATES BY AGE DURING THE GREAT RECESSION 2007-2012



These statistics are far worse for some subgroups of young adults. While all young people are at a disadvantage, the unemployment rates faced by African American and Hispanic workers are truly devastating. Young adult Hispanic workers experience unemployment rates 25 percent higher than those of whites, while African Americans face rates approximately double. One in four African Americans between ages 18 and 24 is looking for a job but cannot find one, as are more than one in seven Hispanic young adults *(Table 1)*.

High unemployment rates among people of color have broad and enduring implications. The legacy of racism borne by African American and Hispanic households results in significant disparities of wealth and income, making avenues to stable employment and skill acquisition even more important among young people of color than they are for whites. Job opportunities for young African American and Hispanic workers equip them with work histories and professional connections that can be leveraged to achieve better positions in the future. But in the youngest age cohort 28 percent of African American men and 23 percent of African American women, as well as over 16 percent of Hispanic men and women, cannot establish these critical resources because the jobs either do not exist or are passing them by *(Table 1)*.

Table 1. | ANNUAL UNEMPLOYMENT BY AGE, RACE, AND SEX, 2012

	AFRICAN AMERICAN	ASIAN*	HISPANIC	WHITE
ALL	13.8%	5.9%	10.3%	7.2%
18-24	25.4%	12.4%	16.3%	13.1%
25-34	14.8%	5.4%	9.2%	7.3%
35-44	11.1%	4.2%	8.3%	5.9%
45-54	9.8%	5.5%	8.3%	5.7%
55-64	8.8%	6.4%	9.2%	5.5%
Men				
ALL	15.0%	5.8%	9.9%	8.2%
18-24	28.0%	10.2%	16.4%	14.5%
25-34	15.2%	4.6%	8.4%	7.3%
35-44	12.6%	3.9%	7.2%	5.7%
45-54	10.2%	6.1%	8.2%	5.7%
55-64	10.1%	6.5%	9.8%	5.8%
Women				
ALL	12.8%	7.9%	10.9%	7.9%
18-24	23.0%	10.9%	16.2%	11.4%
25-34	14.4%	6.3%	10.4%	7.2%
35-44	9.8%	4.7%	9.7%	6.3%
45-54	9.4%	4.9%	8.5%	5.7%
55-64	7.7%	6.3%	8.5%	5.2%

**Unemployment rates by sex not available for Asians before age 20. Youngest age group represented includes ages 20 to 24.*

UNEMPLOYMENT BY EDUCATIONAL ATTAINMENT

In the past, young people could acquire skills through work experience that provided the grounds for responsible, hard-workers to build a career track to middle-class security. But with more than three times as many unemployed workers as job openings in the US economy, employers are able to inflate their hiring requirements to fill even low-wage positions, decreasing opportunities for on-the-job training and increasing competition between workers with no higher education experience and workers with formal credentials. As a result, the greatest employment differences within any age group appear by education.

YOUNG ADULTS WITH only a high school diploma are more than twice as likely to be unemployed as those who completed a four-year degree *(Table 2)*.

THE UNEMPLOYMENT RATE of workers with a Bachelor's degree is well-below the overall unemployment rate in every age range, at 7.7 percent for 18 to 24-year-olds and just 4.1 percent for workers ages 25 to 34. That is still about double the unemployment rate for college graduates before the recession, but points to a very different labor market for those who have invested in their education compared to those for whom higher education is out of reach *(Table 2)*.

> "Young adults with only a high school diploma are more than twice as likely to be unemployed as those who completed a four year degree."

WITH A GLUT of unemployed college graduates on the market, employers can be picky even when filling low-wage positions and workers with no college experience are at a significant disadvantage when competing with college graduates for the same small pool of available jobs. In the 18 to 24-year-old age group, 19.7 percent of those with no college experience were out of work in 2012. Among workers 25 to 34, 11.2 percent of those with only a high school diploma could not find a job *(Table 2)*.

Table 2. | ANNUAL UNEMPLOYMENT RATES BY AGE AND EDUCATIONAL ATTAINMENT, 2012

	ALL AGES	18-24	25-34	35+
Less than High School	16.5%	27.4%	15.4%	11.3%
High School Diploma or GED	10.0%	19.7%	11.2%	7.4%
Some College or Associate's	7.7%	10.3%	8.7%	6.6%
Bachelor's or More	4.2%	7.7%	4.1%	4.0%

SOURCE: *Dēmos analysis of Bureau of Labor Statistics Data*

During the recession, industries that employ a predominantly male workforce—like construction or manufacturing—saw big losses, driving the male unemployment rate up higher than that for women. But the slow recovery is restoring some jobs in these male-dominated fields, while sectors that employ lots of women—like state and local government—continue to lose.

ALTHOUGH UNEMPLOYMENT RATES declined for both men and women in 2012, young men saw greater hiring gains than women over the year *(Table 3)*.

AMONG WORKERS UNDER AGE 25 the unemployment rate of women remains lower than that of men—although at 13.6 and 16.4 percent both are much higher than unemployment for the nation as a whole *(Table 3)*. But the disproportionately male monthly gains over the course of 2012 put 25 to 34-year-old men and women on equal footing by December. The annual average for this age group reflects differences lingering from the first half of the year that were eliminated by job growth that favored male employment.

Table 3. | UNEMPLOYMENT RATES OF YOUNG ADULTS BY SEX, 2011-2012

	MEN	WOMEN
18 TO 24-YEAR-OLDS		
2011	17.8%	14.6%
2012	16.4%	13.6%
% Change 2011-2012	-7.9%	-6.9%
25 TO 34-YEAR-OLDS		
2011	9.7%	9.1%
2012	8.2%	8.4%
% Change 2011-2012	-15.5%	-7.7%

SOURCE: *Dēmos analysis of Bureau of Labor Statistics Data*

> Although unemployment rates declined for both men and women in 2012, young men saw greater hiring gains than women over the year.

Underemployment Rates Reveal Millions More Young People Cannot Find the Work They Need

The composition of the unemployment rate can obfuscate some important trends. When people stop looking for jobs because they do not think it is worth the effort, they are no longer counted as unemployed. Similarly, a person who lands a part time position while still searching for a job with enough hours to pay the bills is not counted as unemployed. There is more to the story of hardship in the labor market than the narrow definition of unemployment rates can tell, which is why underemployment is an important measure for understanding the broader context of uncertainty facing young workers today.

Underemployment is a measure of labor market conditions that includes the workers counted in the unemployment rate as well as those who want a job but stopped looking in the past year and people employed part time who want full-time work. During the Great Recession, the gap between unemployment and underemployment widened, as workers settled for part-time positions or left the labor market altogether. In 2012, the percentage of employed people who wanted full-time work but were working only part time was still almost double the rate from before the recession began. In addition to the 5.6 million unemployed young adults in 2012, more than 4.7 million young people were underemployed last year.

Young people—short on work experience and job tenure—are less likely than older workers to be in a position to bargain with prospective employers for wages, hours, or job security. At the same time, lower savings rates make it harder for young adults to hold out for a good job and instead of looking for better opportunities settle for dead-end positions where they are just getting by. These conditions make it more difficult for young adults to establish financial independence and plan for their futures. Mil lennials are putting off the kinds of investments that would make for a more secure future, like buying a home or starting a retirement savings account. And without the ability to make a living through hard work, many young adults have returned to their parents' households, resulting in the highest level of young adults living with their parents in 60 years.[2] Those who cannot return to the nest struggle alone, living paycheck-to-paycheck if they're lucky.

YOUNG PEOPLE ARE UNDEREMPLOYED at rates much higher than older workers. Twenty-seven percent of 18 to 24-year-olds and 15 percent of 25 to 34-year-olds are underemployed (Table 4).

AMONG YOUNG ADULTS, African Americans face underemployment rates much higher than other groups. Four in ten 18 to 24-year-olds and one in four 25 to 34-year-old African Americans is underemployed *(Table 4)*.

HISPANIC YOUNG ADULTS face higher than average underemployment rates as well. Among older workers, Hispanics are most likely to be underemployed *(Table 4)*.

UNDEREMPLOYMENT RATES for young adults with a high school diploma or less are far higher than those with for young people with some college experience. Young people with a high school diploma were underemployed at rates of 35 percent for 18 to 24-year-olds and 20 percent for 25 to 34-year-olds *(Table 4)*.

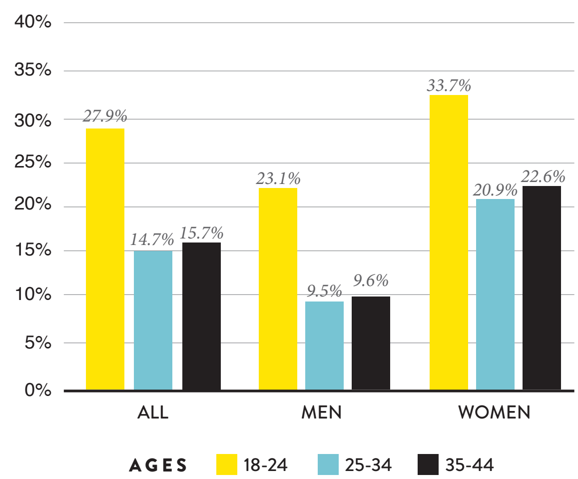
BUT UNDEREMPLOYMENT IS STILL HIGH for people with a college degree. Sixteen percent of 18 to 24-year-olds with a Bachelor's or more are underemployed, as are 7.5 percent of 25 to 34-year-olds (Table 4).

PART-TIME WORK is on the rise, and the youngest workers are most likely to be employed in part-time positions. Among employees who are not currently enrolled in school, 28 percent of 18 to 24-year olds and 15 percent of 25 to 34-year-olds held part-time positions in 2012 *(Figure 3)*.

WOMEN ARE MUCH MORE likely than men to work part-time. For non-students, one-third of 18 to 24-year-old employed women work part-time, compared to 23 percent of men (Figure 3).

FOR 25 TO 34-YEAR-OLDS, 21 percent of women work part time compared to 10 percent of men *(Figure 3)*.

Figure 3. | PART-TIME JOB HOLDERS AS A PERCENTAGE OF EMPLOYED NON-STUDENTS, 2012



SOURCE: *Dēmos analysis of Bureau of Labor Statistics Data*

Table 4. | UNDEREMPLOYMENT BY AGE, RACE, AND EDUCATIONAL ATTAINMENT, 2012

	ALL	18-24	25-34	35+
All	14.7%	26.9%	14.9%	11.8%
RACE/ETHNICITY				
African American	22.6%	40.3%	24.6%	16.7%
Asian	11.5%	22.9%	9.9%	10.3%
Hispanic	20.1%	28.9%	18.6%	17.3%
White, Non-Hispanic	12.1%	23.1%	12.1%	9.9%
EDUCATIONAL ATTAINMENT				
Less than High School	28.7%	41.7%	29.2%	22.8%
High School Diploma or GED	18.1%	34.6%	19.9%	13.7%
Some College, No Degree	15.5%	20.3%	16.8%	13.0%
Associate's Degree	11.9%	18.7%	12.8%	10.7%
Bachelor's Degree or More	7.8%	15.7%	7.5%	7.4%

SOURCE: *Dēmos analysis of Bureau of Labor Statistics Monthly Data*

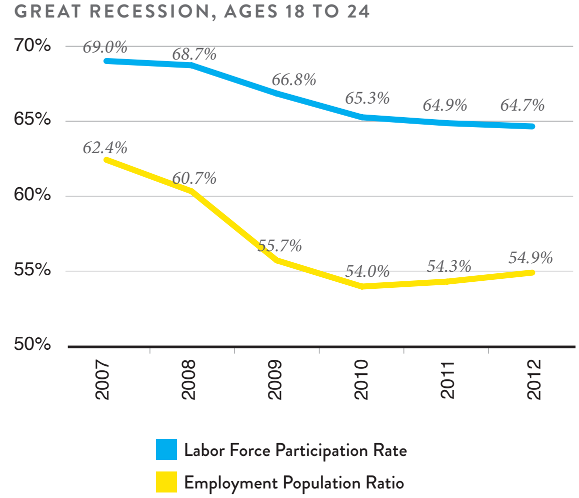
Labor Force Participation Rates Show the Missed Potential of Young Adults Leaving the Labor Force

While unemployment rates provide a benchmark for joblessness in the economy, they sometimes mask important weaknesses in the labor market. Unemployment rates are calculated to only include workers who are employed and those actively looking for work. Anyone who gets discouraged with a fruitless job search does not appear in the final count. That means that if no jobs are gained but people stop seeking employment, the official unemployment rate declines.The labor force participation rate avoids that complication by tracking the percentage of the population that is included in the unemployment rate, revealing the percentage of all adults with enough confidence in the labor market to stick it out. This measure represents the number of people counted as employed or unemployed as a percentage of the total eligible population. Changes in the labor force participation rate can show whether people are entering or leaving the job market over time. Similarly, the employment-population ratio shows employment as a share of the population, which tracks employment in the economy without the distortions from people leaving the labor force that appear in the unemployment rate.

Labor force participation rates and the employment-population ratio declined sharply during the recession and continued to decline, even after the economy gained traction and returned to positive growth in 2009. The exodus of workers from the labor market may have softened the perceived blow of rising unemployment numbers, but it also represents a loss of productive potential from the economy. As the labor market moves closer to full employment in the coming year and the workers who are sitting on the sidelines see new opportunities arise, they will return to the job search and the unemployment statistics. If these new or returning workers rejoin the labor force faster than they can be absorbed it will actually drive up the unemployment rate—which is good news in terms of restoring a productive economy but bad if you're gauging economic progress by tracking unemployment alone.

Last year, however, did not offer the kind of job growth that brings workers back into the fold and labor force participation actually ended the year slightly below where it began. The youngest workers left the market or did not enter in the first place, continuing the trend of declining participation for 18 to 24-year-olds that began in 2007. At the same time, employment-population ratios for young adults ticked up, representing small employment gains since 2011's historic lows. There is still a long way to go: achieving an employment-population ratio equal to that from before the start of the recession will require filling a deficit of over four million new jobs for young people.

Figure 4. | LABOR FORCE PARTICIPATION RATE AND EMPLOYMENT-POPULATION RATIO DURING THE GREAT RECESSION, AGES 18 TO 24



SOURCE | *Dēmos analysis of Bureau of Labor Statistics Data*

IN 2012 THE LABOR FORCE participation rate of 18 to 24-year-olds declined by 0.3 percent to its lowest point in more than four decades. Just 64.7 percent of people in this age group were counted in the labor force last year, compared to 69 percent in 2007 *(Figure 4)*.

LAST YEAR 25 TO 34-YEAR-OLDS stopped leaving the job market for the first time since the recession began. This change pulled the age group out of the nadir of participation but yielded just a tiny gain of 0.2 percent. The labor force participation rate for 25 to 34-year-olds averaged 81.7 percent for 2012, barely up from 81.5 percent in 2011.

EDUCATIONAL ATTAINMENT is strongly associated with labor force participation, since better educated workers are more likely to get interviews and opportunities that keep them in the workforce. Workers with a four-year degree are 9 to 12 percentage points more likely to be in the labor market than workers with a high school diploma in every age group *(Table 5)*.

EIGHTY-ONE PERCENT OF 18 TO 24-YEAR-OLD workers with a Bachelor's degree or more are engaged in the labor market, compared to 68.4 percent who have no college experience *(Table 5)*.

EIGHTY-EIGHT PERCENT of 25 to 34-year-old workers with a Bachelor's degree or more are engaged in the labor market, compared to 78.6 percent who have no college experience *(Table 5)*.

Figure 5. | LABOR FORCE PARTICIPATION RATE AND EMPLOYMENT-POPULATION RATIO DURING THE GREAT RECESSION, AGES 25 TO 34

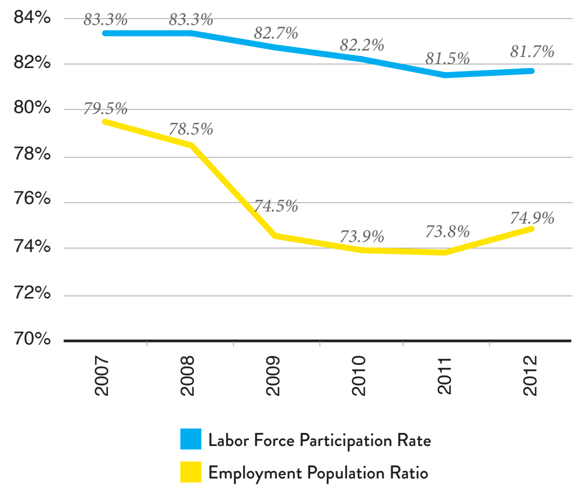


Table 5. | EMPLOYMENT-POPULATION RATIOS AND LABOR FORCE PARTICIPATION RATES BY AGE AND EDUCATIONAL ATTAINMENT, 2012

	EMP. POP. RATIO	LFP RATE
18 TO 24-YEAR-OLDS		
Less than High School	34.9%	48.1%
High School Diploma or GED	54.9%	68.4%
Some College, No Degree	56.1%	62.7%
Associate's Degree	72.0%	79.4%
Bachelor's Degree or More	74.5%	80.8%
25 TO 34-YEAR-OLDS		
Less than High School	57.7%	68.2%
High School Diploma or GED	69.8%	78.6%
Some College, No Degree	71.9%	79.5%
Associate's Degree	80.1%	86.4%
Bachelor's Degree or More	84.4%	88.0%
35 TO 64-YEAR-OLDS		
Less than High School	51.9%	58.9%
High School Diploma or GED	66.6%	72.0%
Some College, No Degree	70.3%	75.6%
Associate's Degree	75.8%	80.4%
Bachelor's Degree or More	80.8%	84.1%

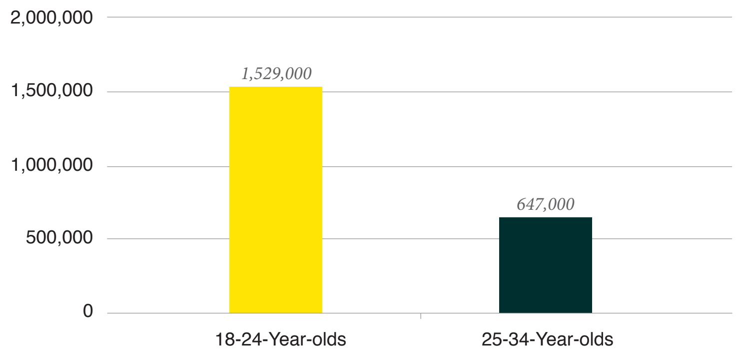
SOURCE | *Dēmos analysis of Bureau of Labor Statistics Data*

HIGHER RATES OF EMPLOYMENT can keep more workers in the market. Eighty-four percent of 25 to 34-year-olds with a Bachelor's degree have jobs, compared to 70 percent for those with only high school diploma or its equivalent *(Table 5)*.

DECLINING LABOR FORCE participation rates have stripped the productive capacity of the U.S. workforce. If young people participated in the labor force today at the same rates they did in 2007, there would be 2.18 million additional 18 to 34-year-olds in the workforce *(Figure 6)*.

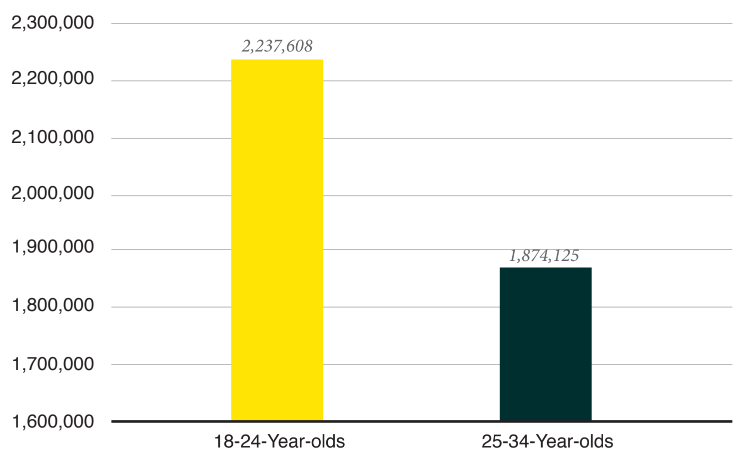
YOUNG PEOPLE ARE FACING A JOBS DEFICIT of over four million. The economy needs to add 4.1 million new jobs for youn g adults in order return to employment at the same levels as before the recession began *(Figure 7)*.

Figure 6. | MISSING YOUNG WORKERS DUE TO LOW LABOR FORCE PARTICIPATION RATES



SOURCE: *Dēmos analysis of Bureau of Labor Statistics Data*

Figure 7. | *THE YOUNG ADULTS JOBS DEFICIT*—JOBS NEEDED TO RESTORE YOUNG ADULTS EMPLOYMENT TO PRE-RECESSION LEVELS



SOURCE: *Dēmos analysis of Bureau of Labor Statistics Data*

Young People Work in Low-Paying Jobs

The American economy gained more than two million new jobs in 2012, but employment for workers under 35 grew more slowly than that for workers overall. Some primary employers of young people, like the retail industry or leisure and hospitality sector, are especially vulnerable to changes in the business cycle and saw big losses when the recession hit. But in the past year these industries made marked gains and they are projected to be among the largest contributors of new jobs in the next decade.

New opportunities for employment as retail salespeople or food service workers fail to serve the young adult population for two reasons. First, with more than three times as many unemployed workers as there are jobs available, new hires compete with a large pool of skilled, experienced workers for entry-level positions. According to the Bureau of Labor Statistics Occupational Outlook Handbook, these jobs do not necessitate any formal education.[3] Yet with nearly half of college graduates working in jobs that do not require a four-year degree, young adults—and especially those with no college experience—have a hard time outcompeting older workers for openings into even low-wage, part-time positions.[4] That's why the main industries of young adult employment could add jobs at or faster than the overall employment growth rate w hile young adults remained behind.

Second, retail and food service positions often do not provide the kinds of opportunities that young people need in order to achieve secure, stable careers. Employers in these industries often depend on a part-time work force—and while a few hours a week is enough to count a young adult officially employed it is not enough for her to establish financial independence or make plans for future security. Moreover, unpredictable scheduling practices in these industries present challenges to workers planning their budgets, arranging for childcare, or taking courses toward an educational credential. And with average wages around $9 or $10 per hour, even a full-time, dependable position can mean an income below the poverty line. High unemployment and underemployment keep wages low, with effects that spill over across sectors. Without the stable income, benefits, and job security that older generations could count on, young people entering the workforce today will face far more difficulty getting ahead through hard work than their parents did.

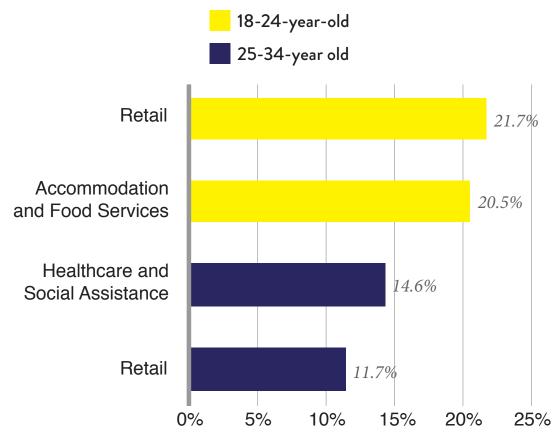
THE LARGEST EMPLOYERS OF YOUNG ADULTS are retail, leisure and hospitality, and health care services *(Figure 7)*.

RETAIL AND FOOD SERVICES EMPLOY the largest shares of 18 to 24-year-olds. More than 20 percent of young adults ages 18 to 24 are employed in the retail industry and another 20 percent are in accommodation and food services *(Figure 7)*.

THE RETAIL AND HEALTH CARE SECTORS employ the largest shares of 25 to 34-year-olds. Fifteen percent of workers in this age group are employed in healthcare and social assistance, while twelve percent are employed in retail *(Figure 7)*.

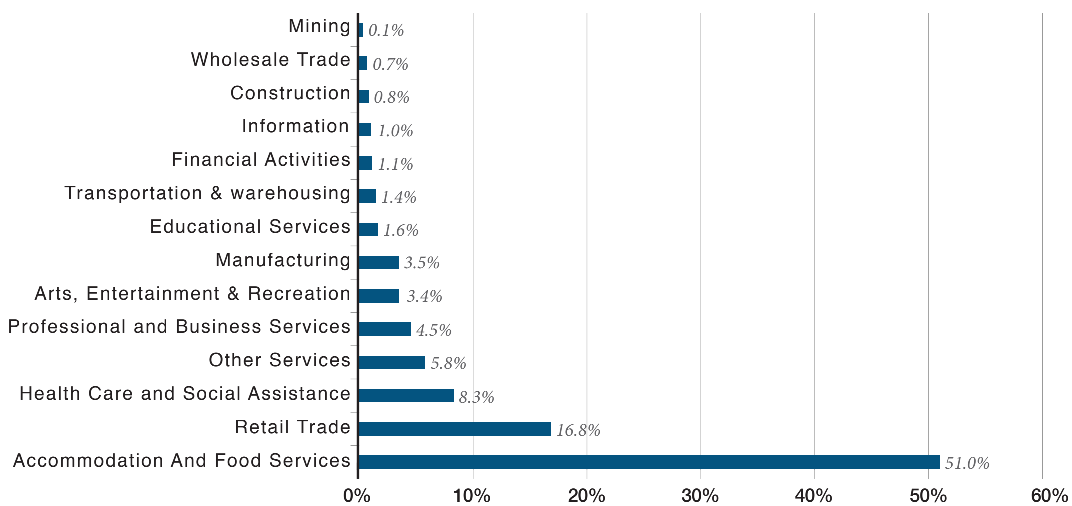
THE SECTORS EMPLOYING LARGE SHARES of young adults are low-wage industries. In 2012, more than two-thirds of workers earning minimum wage or below were employed in accommodation and food services, retail, and healthcare and social assistance. More than half of minimum wage earners worked in accommodation and food services, while 16.8 percent worked in retail and 8.3 percent worked in health care and social assistance *(Figure 8)*.

Figure 8. | INDUSTRIES WITH THE GREATEST SHARE OF EMPLOYMENT AMONG 18 TO 34-YEAR-OLDS: PERCENTAGE OF WORKERS EMPLOYED BY AGE AND INDUSTRY, 2012



SOURCE: *Dēmos analysis of Bureau of Labor Statistics Data*

Figure 9. | PERCENT OF MINIMUM WAGE WORKERS EMPLOYED BY INDUSTRY, 2012



SOURCE: *Bureau of Labor Statistics Household Data Table 45. Wage and salary workers paid hourly rates with earnings at or below the prevailing Federal minimum wage by occupation and industry*

Policy Recommendations

The impact of the Great Recession did not abate for young people in 2012, making the prolonged joblessness and lack of opportunity more akin to a depression for this generation of workers. We see the outcomes today in high unemployment rates, increasing part-time employment, and protracted job searches that end in low-paid positions with little room to grow. But these are not temporary effects. Unemployment and underemployment at the start of a working life provoke consequences that last a lifetime: lower wage growth, the inability to invest for future security, and diminished earnings that persist for decades.[5] We can already observe the changes in rates of marriage, parenthood, and homeownership.[6] Young adults coming of age during the aftermath of the Great Recession will feel its impact for the rest of their lives.

The greatest setbacks posed by the weak labor market fall on young people of color and those without a college education. With unemployment among 18 to 24-year-olds affecting 1 in 4 African Americans and 1 in 7 Hispanics, the unaddressed labor market outcomes for young people are generating pockets of hardship that marginalize people of color and exacerbate persistent racial inequalities. Real opportunities for mobility are essential to the success of populations that have suffered discrimination in the past, and as the portion of non-white Americans continues to grow they become even more essential to the success of American society. The perpetuation of racial and ethnic divides apparent in the young adult labor force threatens the progress of communities of color today and as a result undermines the prosperity of our shared futures.

People without college experience are similarly struggling at the periphery of the labor market, having made no employment gains at all in 2012. Young adults without a college degree are significantly more likely to be unemployed, underemployed, or out of the labor market altogether than their more educated peers. High unemployment across the economy displaced college graduates into low-wage positions, leaving scarce opportunities for those with less educational experience. Employers that used to offer stability and even middle-class incomes to hard-workers with high school diplomas find that they can attract qualified employees and still provide less job security and lower relative wages. At the same time, the rising costs of college and decline of need-based student aid put higher education farther out of reach for many young people. The loss of opportunities to attain a good job combines with the rising costs of education to close off avenues to social stability that were once the hallmarks of a strong American middle class.

2012 could have been a year when young people came into their own, but instead they continue to carry the burden of a precarious future limited by lost opportunities in a critical period of life. Fortunately, policy has the potential to redress the failures of markets and protect our collective future. The slow pace of recovery has left the young adult workforce—and indeed most workers—out of the distribution of gains from a return to positive growth. But we can change that trend with policies that put young people to work and secure a pathway to the middle class for those coming of age in an uncertain economy.

CREATE OPPORTUNITIES FOR YOUNG PEOPLE THROUGH A YOUTH JOBS CORPS. A policy agenda that gives young people a fair shot in the economy requires investment in labor force opportunities for those populations that the market has failed. Accordingly, a direct public sector jobs program would put millions to work immediately, instead of waiting another decade for the labor market to recover. But while improved opportunities are important for all unemployed Americans, the specific experience of young people demands a program tailored to their needs, especially for those most likely to be passed-over for opportunities: African Americans, Hispanics, and people without a college degree. A youth jobs corps targeted toward these populations should be part of a large-scale direct employment program.

A targeted jobs program would address the needs of those populations with the highest unemployment rates by creating employment opportunities in the communities where they live. This design has the potential to provide for essential services in areas where unmet needs are greatest, contributing to lasting improvements in the quality of life. Projects would include a range of construction, maintenance, and service work, including: construction on abandoned or sub-standard housing, conservation measures, the construction of new affordable housing units, the improvement of existing public parks, the construction of new parks, and the beautification and maintenance of indoor and outdoor public spaces. The program also could expand and improve the quality of public services in areas such as health care, child care, education, recreation, elder care, and cultural enrichment.

A public jobs program also produces the most bang for the buck, generating more jobs per public dollar than alternative types of public spending.[7] As workers go out and spend their new incomes, the effects of the public investment multiply, becoming new income to businesses and generating private sector job growth for a sustained recovery. As income circulates through the economy, public savings on other programs like unemployment insurance, Medicaid, and CHIP, combine with new revenues to offset the initial costs. According to a 2011 Dēmos analysis, a $47 billion initial investment directly creates 1 million new jobs and indirectly introduces more than 414,000 more.[8] About $18 billion in savings counterbalance that first-round price tag, leading to a net cost of $29.2 billion for every 1.4 million new jobs. At that rate, filling the four million job deficit for young adults will require a net investment of $85 billion in direct and indirect job creation during the first year.

RAISE THE FEDERAL MINIMUM WAGE. The sectors where young people are most likely to find employment are also those most likely to pay the minimum wage. In 2012 accommodation and food services, retail, and health care and social assistance employed the greatest shares of young people and the greatest shares of minimum wage workers. Projections for employment growth dominated by low-wage occupations reveal that these jobs are not merely way stations for workers on the road to a better career, but rather compose a significant portion of the U.S. economy. Meanwhile, conditions of widespread joblessness put downward pressure on earnings and result in even college-educated workers taking on low-pay positions just to get by. With the high and rising costs of living, minimum wage jobs are not enough to allow young people to strive for a better life. Low wages keep young adults from making the critical investments in their futures that promote long-term stability and economic success.

After a decade of stagnation, federal legislation raised the minimum wage to $7.25 in 2009—still well below its historical peak. Today, that is worth just over two-thirds of the real value of the minimum paid in 1968. Every year that passes without an adjustment allows the purchasing power of the minimum wage to diminish, leading to greater income inequality and eroding standards of living for workers at the bottom. The Fair Minimum Wage Act of 2013, proposed in the House and Senate in March, would incrementally increase the minimum to $10.10 over three years, and then index the value to increase with the cost of living thereafter.[9] Passing the Act would raise income for the lowest-paid workers by as much as $5,000 per year, putting money in the pockets of those who are most likely to spend, giving a much-needed boost to consumer demand, and generating new economic growth. It would also raise the standard of living for the 2.5 million minimum wage workers under 35 today, and provide a foothold as they plan for their futures.[10]

GIVE YOUNG PEOPLE A SAY IN THE ECONOMY BY STRENGTHENING THEIR VOICE IN THE WORKPLACE. Declining wages, reduced benefits, and job insecurity are trends that began long before the Great Recession. They are the legacy of a generation of policies that undermined the ability of workers to advocate for improved conditions and fair compensation and led to declining standards of living for the working class. As a result, young adults have inherited a labor market where unforeseeable shocks can disrupt their livelihood for years into the future. Restoring the rights of workers for unionization and collective bargaining has the potential to reverse that trend. Union workers are much more likely than non-union workers to have access to health plans, retirement benefits, and paid sick leave.[11] These protections provide stability in the face of economic slumps and family emergencies, and make it possible for young workers to plan for their futures even in times of uncertainty. Incorporating the voice of labor in critical workplace decisions can prevent another generation from enduring backsliding standards of living. This safeguard is especially important for young adults today, since the mere timing of labor market entry during a recession can lead to decades of diminished earnings and missed opportunities.

CREATE PATHWAYS TO GOOD JOBS THROUGH ACCESS TO COMMUNITY COLLEGE AND VOCATIONAL TRAINING. The disappearance of jobs that provide a stable income for people with a high school diploma and persistently high unemployment rates have made college the best remaining way for Americans to achieve social mobility and secure a place in the middle class. But financial barriers prevent many students from reaching a four-year college credential and lead to significant achievement gaps by race and class. In order to really cultivate an economic system that offers everyone an equal chance at success, we need low-cost educational alternatives and skills training programs that provide the prospect of advancement for anyone who is willing to put in the work. Strengthening the community college system is a vital part of that goal. These institutions offer a lower-cost option for basic courses toward a Bachelor's degree, as well as the necessary workforce training for high-skilled jobs that do not require a four-year credential. Improvements to the existing structure will require new state and federal commitments to financial support as well as strategic alignment of programs to the demands of the labor market. Such enhancements would draw on the connections between community colleges and workforce development programs with their local economies, in order to tailor training to the needs of the industries serving the area. In order to establish the workforce necessary for today's economy and to provide the opportunities that young people need, state funding for post-secondary education, including community college and vocational training, must return to adequate levels and new federal investment must emerge.

ENDNOTES

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