

Jobs and Wages for Young Americans: Is Recovery Coming?

BY DIANA G. CAREW

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Young Americans – the 80 million Americans age 16-34 – have had a rough recession and an almost non-existent recovery. This is reinforced by the latest jobs report, which shows unemployment falling at the expense of labor force participation, now a historically low 70.9 percent. For young Americans age 16-24, labor force participation is just 54.8 percent. Looking ahead, is recovery ever coming?

Four telling facts about jobs and wages for young Americans suggest a labor market recovery is coming, although it will be gradual and uneven by educational attainment. Specifically, young Americans with a postsecondary degree are more likely to be employed, but the nature of their employment suggests they are taking lower-skill jobs at the expense of their less educated peers. These facts also suggest there is more that policymakers could be doing to boost young Americans' long-term economic and financial well-being.

1. Labor force participation rates for young Americans with a postsecondary degree have been stable since 2010, but are falling for those without one.

Overall there is a considerable gap in labor force participation for young Americans by educational attainment, and the gap is widening. The labor force participation rate for those with only a high school diploma is still falling, down by almost 6 percent since 2007.

Over 2007-2013, the decline in labor force participation among young Americans translated into an additional 3.3 million young Americans not in the labor force. Of this, college enrollment data suggests only about 60 percent could be potentially explained by increased enrollment.

2. Unemployment is falling for young Americans across all levels of educational attainment.

Unemployment rates for young Americans have been slowly falling since 2010 as the broader labor market recovery gains momentum. Still, in 2013 the unemployment rate for young Americans with only a high school diploma remained almost 10 percent higher than for those with a Bachelor's degree, 14.1 percent compared to 5.0 percent, respectively. The 14.1 percent unemployment rate for those with only a high school diploma also remains 5.5 percent higher than in 2007.

3. Since 2009, many of the occupations with the fastest employment gains for young Americans have been lower-skill jobs that typically pay less.

Production, healthcare support, and food preparation and serving occupations were the three main occupational groups to see gains for young Americans across all levels of educational attainment. All three occupational groups have mean hourly earnings that are significantly lower than the national average for all occupations.

Notably, young college graduates saw a 15 percent increase in office and administrative employment while more generally employment in this group declined. This is consistent with the argument that young college graduates are struggling with high underemployment.

4. Average annual real earnings rose in 2012 for young Americans with a high school diploma and for those with a college degree.

The 2012 increase in real average annual earnings comes after almost a decade of decline, although the real earnings for those with some college no degree saw a continued drop in 2012. The real average annual earnings of young Americans age 18-34 working full-time fell by about 5 percent over 2007-2012, compared to a slight increase of about 2 percent for the general population.

Young college graduates have been particularly hard hit by the recessionary decline in average annual real earnings. Over 2007-2012, young college graduates age 18-34 working full-time experienced a fall in average annual real earnings of about \$3,300. The financial strain on young college graduates has been further exacerbated by the concurrent rising student debt burden, and high tuition.

A Recovery for Young Americans?

Five years after the recovery began, many young Americans continue to face economic challenges as they enter the workforce. Together, these facts suggest that young college graduates have enjoyed a more robust recovery than those without a degree. However, the facts also suggest the recovery for young college graduates has come in part from taking jobs that do not require a college degree. It may very well be the case that by taking these jobs, young college graduates are squeezing down and out those young Americans with less education, a phenomenon I call the “Great Squeeze.”

Although it is likely the labor market will for young Americans gradually improve, given the nature of occupations being filled by young Americans, it is not clear earnings alone will be sufficient to ensure long-term financial success and security. Moreover, our current trajectory suggests young Americans are becoming less competitive and less prepared for the needs of today’s workforce.

However, there are actions policymakers can take to help. Such actions must target those young Americans already graduated from school, as well as those still enrolled in school, and they must work to better align the skills of young Americans with the needs of employers. This may include comprehensive education reform, redefining post-secondary education and training, addressing the rising cost of college and student debt, and promoting investment and asset building activities.

Jobs and Wages for Young Americans in Three Charts and a Table

Chart 1

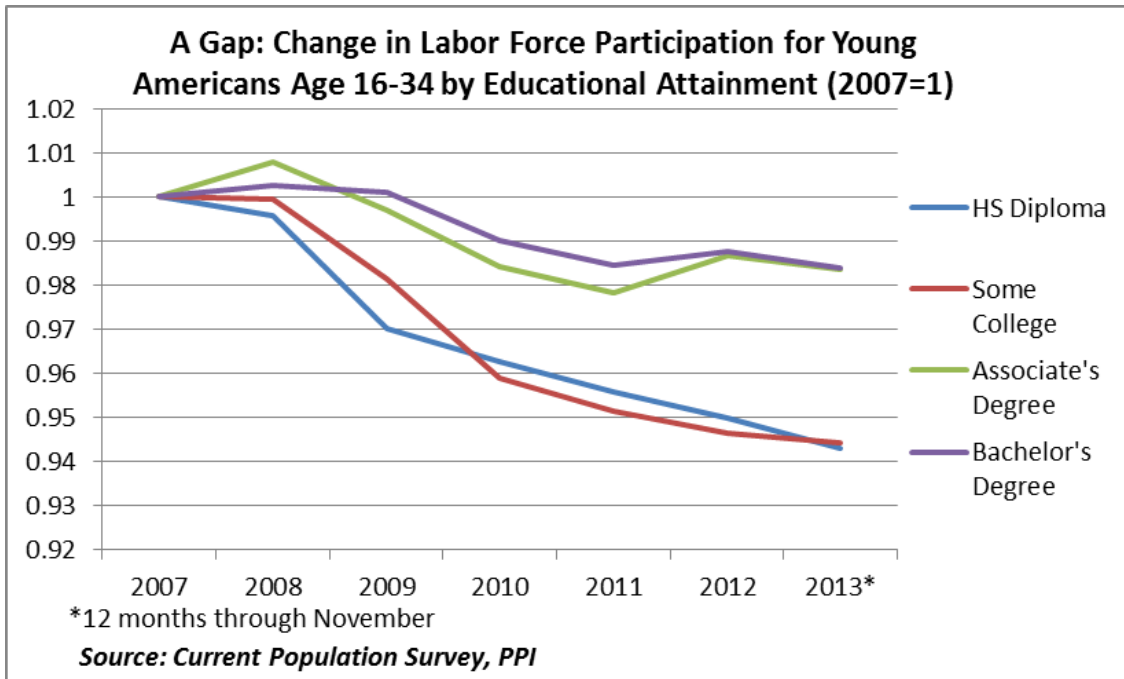


Chart 2

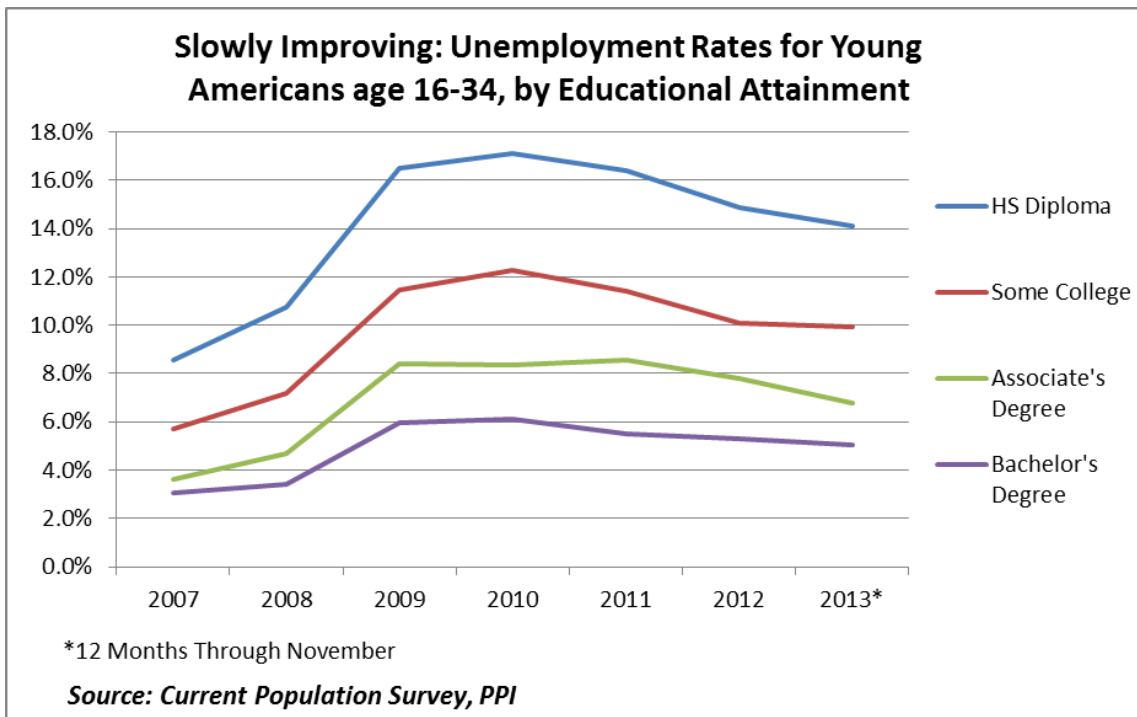


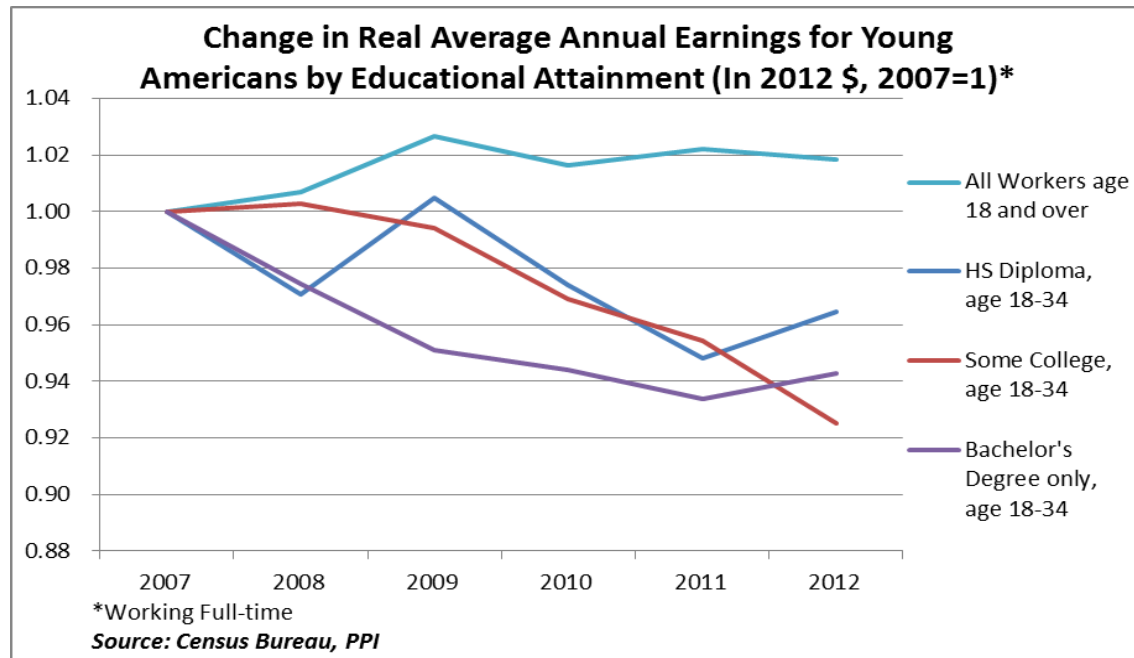
Table 1

Percent Change in Employment for Young Americans age 16-34, 2009-2013*, by Occupational Group and Educational Attainment				
Select Occupations	All Young Americans	HS Diploma	Some College	Bachelor's Degree
Production	13%	11%	26%	29%
Business & financial	13%	-21%	-1%	13%
Healthcare support	10%	5%	11%	17%
Healthcare technical	8%	-23%	-7%	20%
Personal care & service	7%	10%	1%	12%
Food preparation & serving	7%	13%	9%	10%
Transportation	4%	0%	18%	31%
Management	4%	2%	-1%	5%
Computer & mathematical	3%	-14%	-6%	5%
Sales & related	2%	-1%	8%	8%
Education, training, & library	-3%	-17%	-14%	-5%
Office & administrative	-4%	-10%	-8%	15%
Construction & extraction	-15%	-16%	-20%	8%
All Occupations	2%	-2%	2%	9%

*12 months through November

Source: Current Population Survey, PPI

Chart 3



Diana G. Carew is Director of the Young American Prosperity Project at the Progressive Policy Institute.