

Uncertain Futures: Are American Youth Increasingly Idle? Think Again

By Alicia Sasser Modestino

Continued high unemployment and low labor force participation among youth between the ages of 16 and 24 years have led many observers to question what the future path of employment will look like for younger workers.¹ During the Great Recession, the unemployment rate for this demographic group peaked at 19.6 percent—nearly double the rate for all U.S. workers. Roughly five years later, youth joblessness remains elevated. Even more striking has been the steep decline in labor force participation, with the share of youth either working or looking for work falling to an all-time low of 54.0 percent in August 2012.²

Of particular concern is the share of the youth population that is idle, or what is technically termed “not in employment, education, or training” (NEET).³ These individuals are particularly vulnerable to continued adverse labor market outcomes and their prolonged detachment from the labor market may be costly. In addition to the social costs of unemployment or underemployment—including lost income, lower tax revenues, increased government payments, and decreased economic output—NEETs also tend to have lower wages and lifetime earnings as well as more frequent unemployment spells.⁴

How does current youth idleness compare to the past? How likely is it that recent youth cohorts will attain the levels of labor market attachment typically experienced by earlier generations? This policy brief describes youth labor market attachment over the past several decades and quantifies the forces driving the decline observed since 2000. These trends are examined separately for two groups: teens aged 16 to 19 years and young adults aged 20 to 24 years.

How Has Youth Labor Market Attachment Changed in Recent Decades?

Historically, youth labor market attachment in the United States followed a cyclical pattern similar to that of other workers. Since the early 1980s, the share of youth with jobs rose during expansions and fell during recessions, but otherwise remained essentially unchanged over time (see figure 1). This pattern shifted with the 2001 recession, when the youth employment-to-population ratio fell sharply yet failed to rebound to its earlier peak. In contrast, employment rates for most other age groups returned to their pre-recession peaks by 2006—even exceeding previous levels for 60 to 65 year-old adults.

While labor market attachment fell during the Great Recession for youth of all ages, only teens exhibited a decline in the prior period. Between 2000 and 2006, there was a significant decline in both the employment-to-population ratio (–5.8 percentage points) and the labor force participation rate (–5.4 percentage points) among teens. These declines were similar in magnitude to those that were experienced by this age group

- 1 See Jillian Berman, “America’s Youth Unemployment Problem Could Cost \$18 Billion Over the Next Decade: Analysis,” *The Huffington Post*, May 20, 2013. “The Jobless Young Left Behind,” *The Economist*, September 8, 2011.
- 2 These data were obtained from the Bureau of Labor Statistics, *Labor Force Statistics from the Current Population Survey* [database].
- 3 See David Leonhardt, “The Idled Young Americans,” *New York Times*, May 3, 2013. Peter Gumbel, “Why the U.S. Has a Worse Youth Unemployment Problem than Europe,” *Time*, November 5, 2012.
- 4 Clive R. Belfield, Henry M. Levin, and Rachel Rosen. 2012. *The Economic Value of Opportunity Youth*.

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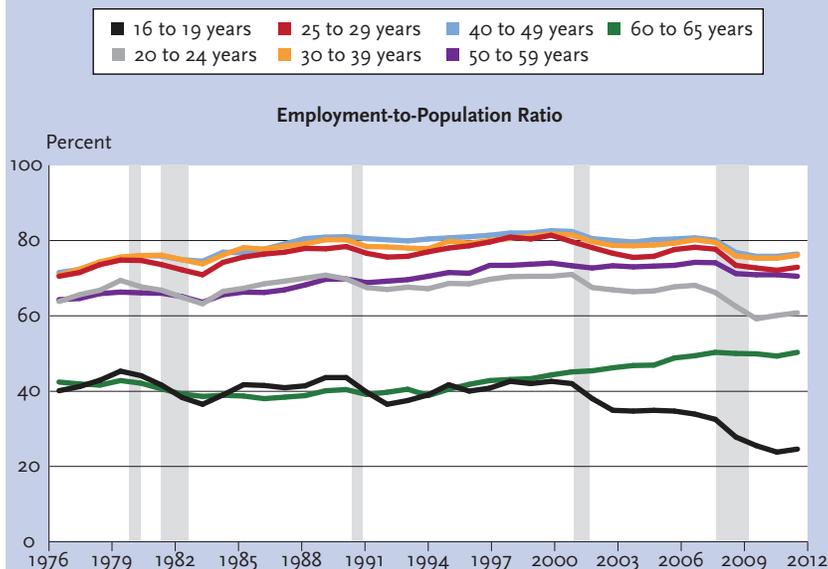
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Figure 1. Since 2000, Youth Labor Force Attachment Has Declined, Particularly Among Teens—A Trend That Intensified During the Great Recession

U.S. Employment-to-Population Ratio by Age Group, 1976–2012



Source: Author's analysis of Current Population Survey data, March 1976–2012, IPUMS-CPS.
Notes: Civilian, noninstitutional population. Data prior to 1994 are not strictly comparable to those in later years due to survey redesign. Shaded areas indicate recessions.

during the Great Recession. In contrast, although the employment-to-population ratio decreased slightly (–0.5 percentage points) for young adults between 2000 and 2006, their labor force participation actually increased slightly during this period.⁵

These changes in youth labor market attachment that were evident in the last decade—well before the onset of the Great Recession—have occurred against a backdrop of continual increases in school enrollment over the past several decades. All youth significantly increased their school enrollment from the mid-1980s onwards—and the period just before the Great Recession was no exception to this long-term trend. Between 2000 and 2006, school enrollment increased by 3.8 percentage points for teens and 4.5 percentage points for young adults.⁶

What *has* changed since 2000 is the degree to which youth combine school and work. Among teens, there has been a sharp increase in the percent exclusively attending school and a concurrent decrease in the percent combining school and work (see figure 2).

5 See table 1 of Julia Dennett and Alicia Sasser Modestino. 2013. *Uncertain Futures? Youth Attachment to the Labor Market in the U.S. and New England*. NEPPC Research Report 13-3. Boston: Federal Reserve Bank of Boston. Available at <http://www.bostonfed.org/economic/neppc/research-reports/2010/neppcrr1002.pdf>

6 Ibid.

Among young adults, the increase in the percent exclusively attending school has meant fewer individuals exclusively working, though the share combining school and work has held steady over this period.

As a result of rising school enrollment, youth did *not* become increasingly idle prior to the Great Recession despite their sharp decrease in labor force attachment. The share of youth that is idle or NEET is largely procyclical—rising during recessions and falling during recoveries. Indeed, idleness among youth recently peaked in 2010 in the wake of the Great Recession (see figure 2). Yet there is no long-term upward trend that would suggest rising idleness among U.S. youth. In fact, the share of youth not enrolled in school and not working has fallen since 2010 and is no higher than it was two decades ago in the years just after the 1990-1991 recession.

Moreover, these trends do not simply reflect declines among minority or disadvantaged groups. While disadvantaged groups typically have lower *levels* of labor market attachment, decreases in attachment prior to and during the Great Recession have been fairly widespread across *all* demographic groups. For example, among teens, the employment-to-population ratio fell for both whites and minority groups, even prior to the Great Recession.⁷ Among young adults, employment dipped only among whites over this period.

Do Low Levels of Labor Market Attachment Among Youth Persist Over Time?

There is concern that current youth cohorts entering the labor market with lower levels of attachment may experience far-reaching consequences over their lifetimes. First, experiencing involuntary detachment from the labor market early in one's career is associated with wage scarring, more frequent future spells of unemployment, and lower lifetime incomes.⁸ Second, youth who voluntarily choose not to work while pursuing their education may fail to gain the skills and habits associated with early work experience, putting them at a disadvantage when they subsequently choose to enter the labor market.⁹

While it is too soon to tell what will happen over the course of their lifetimes to those

7 See table 3 of Dennett and Sasser Modestino, NEPPC Research Report 13-3.

8 Katharine G. Abraham and Robert Shimer. 2002. "Changes in Unemployment Duration and Labor Force Attachment." In *The Roaring Nineties*, ed. Alan B. Krueger and Robert Solow, 367–420. New York: Russell Sage Foundation and the Century Foundation.

9 Sarah Ayres. 2013. *America's 10 Million Unemployed Youth Spell Danger for Future Economic Growth*. Washington, DC: Center for American Progress.

youth cohorts affected by the Great Recession, we can assess the outcomes of earlier generations. Comparing youth cohorts over time reveals that more recent cohorts are entering the labor force with lower levels of labor market attachment compared to earlier cohorts and that this trend was evident before to the Great Recession (see figure 3). For example, the 2001 cohort enters with slightly lower labor force participation than similarly aged youth in earlier generations but fails to catch up—even by the time they are 25 to 29 years-old. The 2006 cohort enters the labor market at the tail end of the previous cyclical peak but at substantially lower labor force participation rates than the 2001 cohort. Finally, the most recent teen cohort in 2011 enters the labor market during the Great Recession with extremely low levels of labor market attachment.

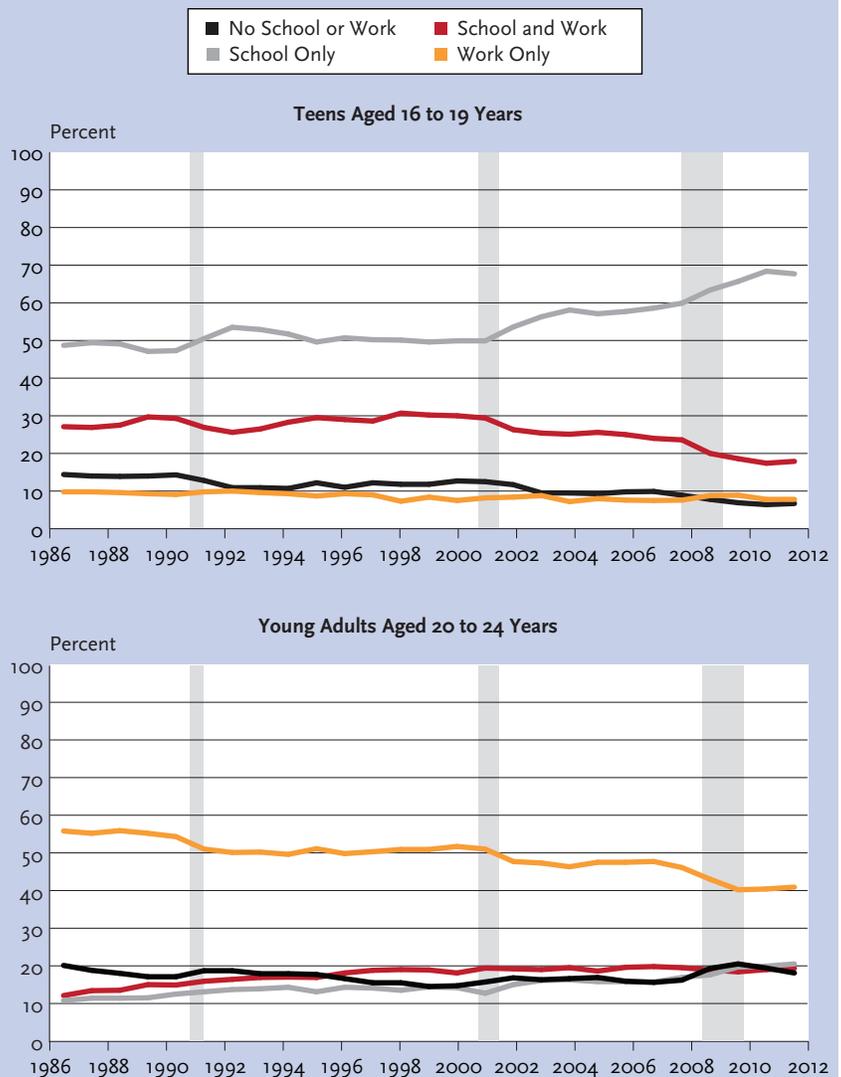
Yet despite lower labor force attachment, some demographic groups exhibiting sharp increases in school enrollment appear simply to be delaying their entry into the labor market while investing in their education. For example, recent cohorts of white females born in the United States, who experienced large increases in school enrollment over the past two decades, eventually followed similar trajectories compared to earlier cohorts despite their lower initial levels of labor force attachment (see figure 3). In comparison, males did not seem to catch up to their earlier peers as they moved through the lifecycle—a trend that started even earlier with the 1991 cohort. The most recent cohorts of both men and women entering the labor market in 2011 in the wake of the Great Recession experienced even larger drops in labor force participation. It remains to be seen the degree to which the effects of this most recent and severe downturn will persist as they progress through their careers.

What Does the Future Look Like for America's Youth?

One striking pattern that has emerged from these findings is the different labor market experiences of teens versus young adults—a finding that suggests the need for different policy approaches. For young adults, virtually all of the decrease in labor force participation occurred during the Great Recession. Observers have noted that young adults have the potential to become a “lost generation” in terms of not gaining early labor market experience and that this potentially poses long-run ramifications both for society and the individual.¹⁰ Future research that identifies and evaluates programs and policies that are successful in

Figure 2. Over Time, Youth Have Shifted Away From Combining Work and Schooling Towards Attending School Exclusively, But Idleness Has Not Increased

Trends Among U.S. Youth Regarding Work, School Attendance, and Idleness, 1986–2012



Source: Author's analysis of Current Population Survey data, March 1986–2012, IPUMS-CPS. Notes: Civilian, noninstitutional population. Data prior to 1994 are not strictly comparable to those in later years due to survey redesign. CPS data on school enrollment not available prior to 1986. Shaded areas indicate recessions.

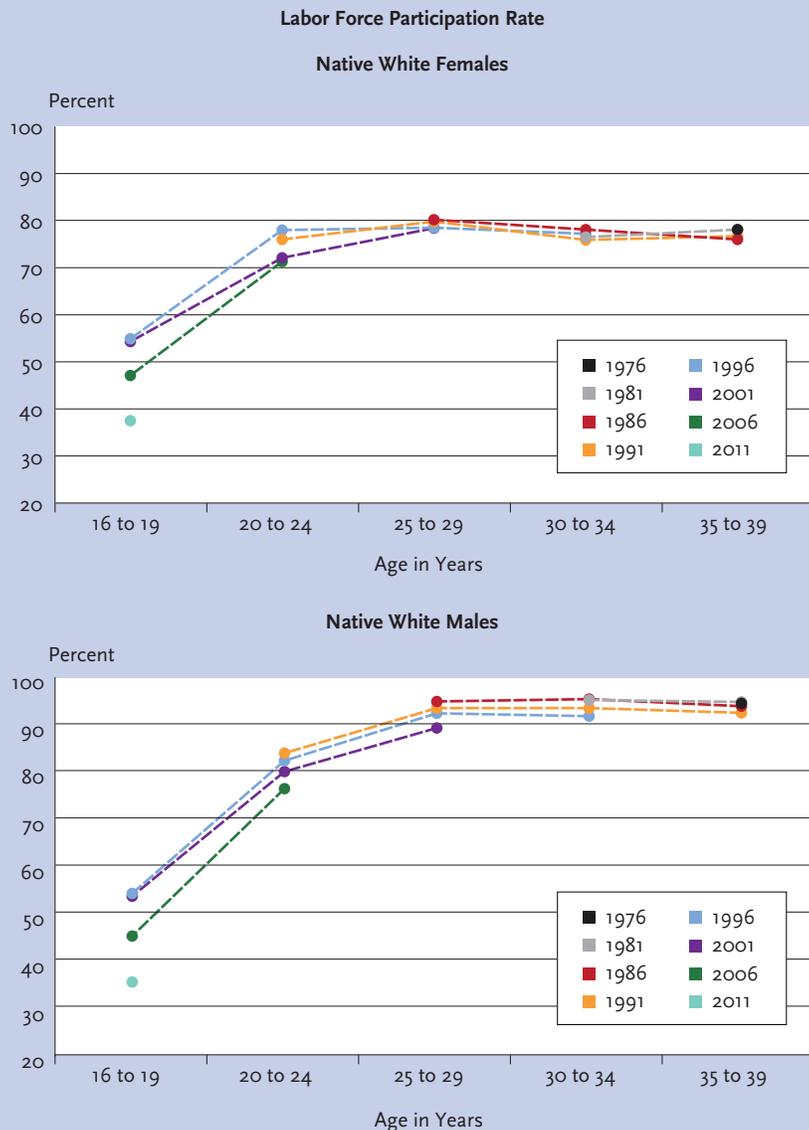
helping young adults establish or regain their attachment to the labor market could help policymakers target funding towards those approaches that are deemed to be effective and efficient.

In contrast, it is not clear that the large and ongoing decline in teen labor force attachment will reverse itself. Indeed, these findings show that the Great Recession only served to intensify this earlier downward trend. For some demographic groups—most notably women—the observed decline in youth labor force attachment may simply reflect a temporary delay in entering the workforce while invest-

¹⁰ “Idle Youth Raises ‘Lost Generation’ Fear,” *CBS News*, November 27, 2009. “The Jobless Young Left Behind,” *The Economist*, September 10, 2011.

Figure 3. Some Demographic Groups—That Have Experienced Sharp Increases in School Enrollment—Appear To Be Investing in Education and Simply Delaying Entry into the Labor Market

Cohort Analysis of Labor Force Attachment for U.S. Native White Youth over Time



Source: Author's analysis of Current Population Survey data, March 1994–2012, IPUMS-CPS. Notes: Civilian, noninstitutional population. CPS data on nativity not available prior to 1994. Data are plotted such that successive synthetic cohorts of youth are followed over time. See Dennett and Sasser Modestino, NEPPC Research Report 13–3, appendix D: Data and Methodology, for more information. Available at <http://www.bostonfed.org/economic/neppc/researchreports/2013/r11303.htm>

ing in additional human capital. However, even for those individuals who do enroll in college, the success of this path is not entirely clear. As college attendance has risen, the rate of college completion has fallen, bringing into question the value of time that youth spend out of the labor force—particularly as the cost of higher education has risen over time.¹¹

11 Molly McIntosh and Cecilia Elena Rouse. 2009. *The Other College: Retention and Completion Rates among*

Additional research that re-examines the benefits of college coursework versus on-the-job experience for those that do not complete their degrees could help guide individuals and guidance counselors in their career decision-making.

Of greater concern is the apparent difficulty in transitioning to the labor market for noncollege-bound youth—a problem that existed even prior to the Great Recession. According to the Current Population Survey, the share of teens reporting that they are unemployed because they are seeking their first job jumped by 14.5 percentage points between 2000 and 2006.¹² A significant body of research suggests the need for long-term solutions that can prevent future youth cohorts from becoming detached from the labor force. These solutions might involve expanding pathways to education and training through apprenticeships, internships, and career tech programs at the secondary level that are better aligned with labor market needs.¹³ This is the goal of a recent collaboration between the U.S. Department of Labor and the U.S. Department of Education to make \$100 million available for Youth CareerConnect grants that provide high school students with the industry-relevant education and skills needed for future careers beyond high school.¹⁴

In sum, in the United States today's youth face a variety of labor market challenges that are not easily addressed by a one-size-fits-all approach to policymaking. Yet policymakers should seek out evidence-based research that can help them better target their limited resources towards those programs and approaches with the most promise. Moreover, it is important to remember that workforce development interventions are typically more effective when applied to younger versus older workers: youth are easier to train, more open to exploring new industries and occupations, and have a longer time horizon over which the investment will pay off. Thus, the return on investing in youth is high. In the long run, the hope is that by ensuring a future pathway for all youth workers, policymakers will also be helping to ensure a future pathway for greater economic growth.

Two-Year College Students. Washington, DC: The Center for American Progress.

12 See table 2 of Dennett and Sasser Modestino, NEPPC Research Report 13–3.

13 See William C. Symonds, Robert B. Schwartz, and Ronald Ferguson. 2011. *Pathways to Prosperity: Meeting the Challenge of Preparing Young Americans for the 21st Century*. Report by the Pathways to Prosperity Project, Harvard Graduate School of Education. Cambridge, MA: Harvard University. Annie E. Casey Foundation. 2012. *Youth and Work: Restoring Teen and Young Adult Connections to Opportunity*. Baltimore: The Annie E. Casey Foundation.

14 For more information, see "FACT SHEET: Youth CareerConnect Grants" available at <http://www.whitehouse.gov/the-press-office/2013/11/19/fact-sheet-youth-careerconnect-grants>