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Collapse of Youth Labor Market and Stagnant Wages for Young Workers Signify the Need for Comprehensive Youth Policy, Georgetown University Report Says

The gap between the youth employment rate and the prime-age employment rate has increased by 9 percentage points since 2000

(Washington, DC, December 7, 2021) The COVID-19 recession has highlighted the ongoing vulnerabilities of young people in the workforce following a prolonged series of especially harsh economic downturns, according to a new report from the Georgetown University Center on Education and the Workforce (CEW). *Youth Policy: How Can We Smooth the Rocky Pathway to Adulthood?* examines the United States' fragmented and inadequate approach to youth policy against the backdrop of economic pressures facing youth and young adults today.

In the short term, young workers are benefiting from strong labor demand as the economy recovers from the COVID-19 recession. Over the past 20 years, however, young people have encountered one of the most challenging economic stretches on record for workers trying to launch their careers. Since 2000, the economy has been hit by three major recessions, with particularly detrimental effects for millennials. Youth and young adults faced especially high unemployment rates amid the burst of the dot-com bubble, the Great Recession, and the COVID-19 recession. By the end of 2019, youth (ages 16 to 21) were already 11 percentage points less likely to be employed than in 2000, compared to a 1-percentage-point difference for prime-age adults (ages 25 to 54). During the pandemic, the youth employment rate declined by another 6 percentage points. While the youth employment rate has largely recovered since, the gap between the youth employment rate and the prime-age employment rate remains 9 percentage points wider than it was 20 years ago.

The journey from youth dependency to adult economic independence takes longer than in the past. Most young adults used to have good jobs by their mid-20s; today, it takes most people until their early 30s to find a good job. This is because young people need more education and work experience to succeed in the labor market, and that education and experience is harder to acquire.

Some of the decline in youth employment rates can be attributed to an increase in the share of youth enrolled in either school or college. However, the share of youth who are “disconnected”—neither working nor enrolled in school—has remained in the double digits since 2000. Inequalities faced by some racial and ethnic groups make some youth more vulnerable to disconnection from school, work, or both. Since 2000, Black youth have consistently had unemployment rates double those of White and Asian youth, and Latino youth also have had unemployment rates that are consistently higher than those of White youth.

Youth policy in the United States is a vast patchwork quilt of programs, initiatives, and funding streams. It is fragmented across multiple institutional silos—including K–12 education; postsecondary education; federal, state, and local government entities; and private industry. While there are programs focused on the intersection of education and work, they are not sufficient to bridge the gaps between silos.

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“Today’s youth policy fails to guide young people as they navigate across different silos on their path to economic independence,” said Anthony Carnevale, lead report author and CEW director. “We need a seamless, modernized strategy for reforming youth policy, centered around an all-one-system approach.”

A modernized design for youth policy would allow young adults to attain both postsecondary education and quality work experience to support their successful transitions to good jobs. In an all-one-system approach, preschools, elementary and secondary schools, community colleges, four-year universities, employers, and governments would all follow an integrated playbook, helping to smooth out young people’s progress from pre-K–12 to college and work. The Build Back Better Act currently under consideration in Congress would be a first step toward comprehensive reform.

While all students stand to benefit from systemic reforms, the most vulnerable students would gain the most from an all-one-system approach to youth policy. In particular, first-generation students, low-income students, young people in the foster care system, and young people who face homelessness or who have been involved with the juvenile justice system would benefit from additional support on the journey from youth to adulthood.

“The patchwork approach to youth policy allows too many vulnerable young people to slip through the seams,” said Artem Gulish, CEW senior policy strategist and report co-author. “The experience of millennials is a testament to the failures of our fragmented system. Millennials are at serious risk of becoming the first generation in recent history to be worse off financially than their parents, and we need system-wide change to ensure that future generations have better prospects.”

Over the past 50 years, structural changes to the economy have resulted in the growth of professional and technical occupations. Jobs in these occupations show greater demand for competencies such as teamwork, leadership, and problem-solving that are typically associated with higher levels of formal education. In the 1980s, three out of four jobs required a high school diploma or less, while today two out of three jobs require at least some postsecondary education or training.

Higher levels of educational attainment have been key to success in the labor market for young adults (ages 22 to 27). Young adults with graduate and professional degrees have a higher employment-to-population ratio than similarly educated young adults had in 2000. All other groups of young adults have lower employment rates now than similarly educated young adults did more than 20 years ago.

Higher demand for workers with more education and experience has translated into higher demand for older workers and lower demand for younger workers. As a result, the earnings of younger workers (ages 22-27) have barely improved since 1980, while the earnings of older workers (ages 55+) have grown by 35%.

Other Key Findings:

- The share of youth attending school or college increased from 59% in 2000 to 68% in 2012, and it has remained above 65% since then.
- The share of youth who are disconnected, neither working nor in school, rose during the COVID-19 downturn, reaching 16% by March 2021 before dropping back to 14% by June 2021.
- Since the 1970s, youth employment and job-training policy has become more decentralized, with programs increasingly administered at the state and local levels.

To view the publication, visit cew.georgetown.edu/youthpolicy.

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