



LEFT BEHIND IN THE LABOR MARKET

DR. ANDY SUM, DIRECTOR
CENTER FOR LABOR MARKET STUDIES, NORTHEASTERN UNIVERSITY



Based on the idea of leaving no child behind, I wanted to argue that over the last few years, we have been leaving behind a substantial number of young adults and so the report is titled, “Left Behind in the Labor Market: Labor

Market Problems for our Nation’s Out-of-School, Young Adult Populations.”

The main points I would like for us to come to common understanding are the following. First, we must recognize that for the JAG program to succeed, for young adults to succeed, a strong macro labor market environment is critical to the success of young adults.

Once the macro economy slows, out-of-school young adults suffer more substantially from job losses than any other group in American society.

Over the last two years, among those young people under 25 who are out of school, their employment rate fell by more than 4 percentage points, while the employment rate for adults over the age of 25 fell by just over 1 percentage point.

The younger the adults, the greater their employment decline. For teenagers out of school, their employment rate fell by 6.5 percentage points. Visualize this—6.5 points would be the equivalent to a 10 percent decline in the employment rate of those young adults. If we drop the employment rate for all adults by 10 percent, we would have called it a “**depression**.” And yet, as I have tried to get the story out for the last two years—it has been viewed as young adults in the back of the cue, as a result, no problem, my friend.

Many of the groups with which JAG aligned itself to help, have been most seriously impacted by

both the recession and now what we call the “**jobless recovery**.” When you look at the situation for these out-of-school young adults, these facts stand out.

The job losses were not unique to any specific job sub-group. Men and women, whites, blacks and Hispanics have all suffered large job losses, during this downturn. In fact, the job losses were more substantial for men than for women and actually more substantial for whites and Hispanics than they were for black people.

All young adults have suffered more from this downturn than any other wage group.

There is one exception to that rule, however. If we look at all young adults out of school and under 25 years old, the fact remains that **only bachelor degree holders suffer no job losses at all.** Every other group (high school dropout, high school graduates and those with some college) experience a 5 to 6 percentage point drop in employment. **For those holding bachelor degrees, their employment changes were actually modestly positive.**

Let me make clear that does not mean that young college graduates have not been affected. What has impacted young college graduates the most is that they have been pushed out of what I call the “college labor market” and ended up taking jobs that you and I would normally ascribe to the jobs a normal high school graduate would attain.

The problem among young college graduates is not unemployment or joblessness but rather what we would call **underemployment**—“the inability to get a job that fully utilizes the schooling and education received.” The fact remains, however, that there has been a multitude of media stories that have focused on the college labor market. And, I have worked hard with the press and national media to get

the story out that it is really the **young kids who do not have college degrees that have suffered the most in this downturn.**

For those groups that we focus on most in the standard JAG program—that graduate from high school and do not go directly on to college—what has happened to their position in the labor market? Our report shows very clearly that after 6 years of very strong gains in employment rates for young adults just leaving high school (the group served by JAG), the last two years have taken a very serious toll on young high school graduates. Their employment rates fell 6 to 7 percentage points across the board. The rate reached new heights—69 percent in the year 2000. In the last two years, that rate has come back to 62 percent. Employment rates dropped for young high school graduates by a substantial 7 percentage points. One more last thing that I think is a key to this and that is if we also look at not just the ability to get jobs but over the last two years, young high school graduates have faced a very difficult time finding full-time jobs.

On average, I have estimated only about 5 out of 10 young high school graduates under the age of 22 are working full-time. That is all.

The full-time job market is particularly critical for the JAG program, as I argued in the past, for four (4) reasons.

1. Young adults that have worked full-time not only have attained higher hourly wages than those who work part-time, but they **work on average twice as many hours a week. The weekly earnings of those young adults (remember, I am talking about high school graduates) who work full-time are more than twice as high as those who work part-time.**
2. Young adults who work full-time are **far more likely to receive key employee benefits, health insurance, pension benefits, vacation pay, and tuition reimbursement.**
3. Young adults employed full-time are **3 to 4 times more likely to be trained on-the-job than those who work part-time.**

4. Longitudinal research in which my colleagues and I have been involved at the Center for Labor Market Studies shows that **the long-term return to workers from working full-time is overwhelmingly higher than the long-term rate of return from working part-time.**

Every year that a young adult works full-time, they will increase their future wages by somewhere between 4 and 5 percent a year. Those that work part-time, wages will rise by less than 1 percent a year for every year of part-time work.

There are powerful long-term effects from being able to work full-time from the time you leave school into your early 20's. When the labor market softens and reduces overall employment, it pushes our graduates out of full-time work. The loss of full-time work has very long-term adverse effects on their overall economic well-being.

There are three factors that stand out in all the analysis about the working rates of young high school graduates.

There is an extraordinary amount of geographic variations across state and cities on employment rates of high school graduates.

It is difficult to generalize about the national labor market situation to young high school graduates. What I tried to show this morning and is laid out in that report—among those young people we look at in all 50 states, we look at employment rates of young high school graduates who are not going to college. What you find is that the top 10 states generally obtain employment rates that are anywhere from 50 to 100 percent as high as our 10 poorest performers. Washington D.C., our poorest performer in the country, provides work for only 38 percent of high school graduates. Minnesota, New Hampshire and Vermont are our best performers in the country, nearly 75 percent of high school graduates in those states work.

The same thing also holds true for cities. We ranked about 50 cities in the country and what

we found is the top 10 of those 50 have work rates that are almost double those of the bottom 10. The bottom 10 includes the New Yorks, the Philadelphias, the District of Columbias, Miamis, Los Angeles and Chicagos. The employment rates are only one-half as high as those of the top 10 best performing cities in the country. There are cities that have found how to do this well. And, there are states that have found how to make a successful transition work well. The degree of variation that we find geographically on working rates of high school students are extraordinary.

One of our goals for JAG is to get involved in states and cities where young people face such high risk of unemployment to improve their long-term economic prospects. If we are going to raise the average, we have to raise the average for low performing states and cities across the country.

Those who have known me over a long time know that I have argued the importance of early labor market experiences before leaving school. The most important thing for us to do is to stay connected to those students who are not involved either in school or at work. Young people who spend more time not at work and not at school are far more prone to be **poor, dependent and involved in our criminal justice system** than all young adults. We should make every effort to keep our young people working or in school or both.

Work and school together is the best outcome for all young people.

In the last year, I have analyzed a critical question. Does it really make a difference per state or metropolitan area how much kids work as teenagers in terms of what it is going to do for young adults when they are ages 20 to 25?

The research overwhelmingly shows that those states that provide lots of job opportunities to teenagers are the same states that five (5) years later have the highest employment rates for 20 to 24-year olds. That means early work experience just does not have micro effects on individuals. Early work experience has profound macro effects on the labor market environment.

The more we work when we are young, the more we are going to work when we are older. If we want to solve the problem of older adults, we must solve the problem of the very young adults.

Our ability to keep young people involved in school or at work is crucial. One of the trends is college enrollment. How can JAG contribute to helping restore higher rates of postsecondary enrollment in community colleges, one-year colleges, junior colleges for young people that we serve to help turn around the decline in the college going rate among America's high school graduates?

The importance of obtaining some post-secondary schooling is higher today than it has been at anytime since we have been collecting data after the end of World War II. So, how do we get the message out to all the young men and women we serve that postsecondary education is particularly important? It is important to not only have early work experience but to take advantage of opportunities that build on a postsecondary education.

There is one more trend that I often found exceptionally troubling that has been ignored. Among young men, the gaps of college enrollment have widened considerably. Women have out-performed men on every fundamental educational measures — reading scores, writing scores, math scores. Women have closed the gap on men.

- Women are far more likely to graduate from high school in this country.
- Women are more likely to enroll in college when they graduate.
- Women will be persistent in college at higher rates than men.
- Women are more likely to come back to college when they leave college.
- Women are more likely to go to college when they are 25 than men are.
- Women are even more likely to enroll when they are 30 than men are.

In this country, we have experienced one of the greatest widening of the gender gap on educational outcomes in our history.

The number of women who earn associate degrees is 150 women for every 100 men. Twenty (20) years ago there were only 87 women for every 100 men. Not only did women catch up with men, women have surpassed men enormously.

What is our projection? The Department of Education projects that by the year 2010 that the ratio of 150 will be 170—170 women for every 100 men. It is also true today that there are 135 women who get a bachelor's degree for every 100 men. That ratio twenty (20) years ago was 88 women for every 100 men. In our Black and Hispanic communities, that ratio is closer to 200 to 100. That gap has risen among whites as well as among blacks and Hispanics. It has even been widened among Asians as the last group for which the gender gap has moved in favor of women.

I am not advocating that we want fewer men in school, I am advocating we want more men in college. And, I want more men in college for two (2) very important reasons.

1. Research shows overwhelmingly that the greater the educational attainment of men, the far greater the likelihood the men will be married and living with their wives and children when they are 30 years old.
2. The educational gaps are extraordinarily high. If you are a **male high school dropout** in the United States, the likelihood that you are married and living with your wife at age 30 is only 3 in 10.

If you are a **college degree holder** and you are male, **the likelihood that you are married and living with your wife is closer to 8 in 10**.

The problems of young men without high school diplomas are not only economic; they are social, political and generate enormous economic and social problems for the country.

Our ability to solve family problems and to strengthen communities is dependent upon improving educational and labor market outcomes for young men. I would like to see JAG be at the forefront of seeing what we could do to encourage more of America's young males

to invest in their postsecondary educational attainment.

I just finished a report for the Business Roundtable looking at the dropout situation in the United States. The dropout situation basically is as follows. Contrary to every view that we have been resolving the dropout problems in the United States, all the evidence shows the opposite. That in fact, in the last three (3) years, we estimate that only 7 out of every 10 high school students in the United States will leave school with a regular high school diploma. High school graduation rates measured by obtaining a regular high school diploma is only 71 out of 100. Now, remember in 1989 the Educational Summit attended by the nation's governors? We set a goal for ourselves that by the year 2000, we would graduate 90% of all students.

The 90% goal, I must admit, included GEDs. I have excluded the GEDs for a number of reasons. I am not opposed to GEDs, but understand that the research is mixed but gave the GED generally helps many young people. It is not true that the GED has no effect. On the other hand, the evidence is overwhelmingly clear.

The GED is no substitute for a high school diploma. The young adults who have taken GEDs do not match the labor market employment, wages, earnings, postsecondary educational attainments of regular diploma holders. **GEDs are not the educational equivalent for further high school diplomas.** They are not. There is an awful truth about having a GED—it is better than having no GED. The GED is better than dropping out and not going back to school. But, the GED is not the equivalent of a regular high school diploma.

As a country, a 71% graduation rate should be viewed as shameful. There is not one state in this country that achieved the 90% graduation rate. In fact, there are 25 states that did not achieve a 68% graduation rate.

I believe JAG should take on and the problem offering the Multi-year and Dropout Recovery Programs as part of the solution. We ought to be doing our best to help turn that situation around because that problem is festering equally in our country.

The United States is no longer:

- a world leader on high school graduation
- a world leader on college attendance for high school graduates
- A world leader on literacy

All of our literacy advantages have vanished. The report I prepared for the Educational Testing Service in February, 2002 was titled, "Mediocrity and Inequality: Twin Deficits in America's Education". Today, all of the literacy advantages in the United States are due to the fact that people over 55 score better than just about any group of 55 year olds anywhere in the world. Our oldest adults are the best. **Our youngest adults are near the bottom of the stack.**

The United States is not a leader in high school graduation, college attendance, college graduation or literacy. JAG cannot ignore these facts—we should stay focused on that challenge and say, "What can JAG do to turn this nation's situation around?"

When we launched JAG, those of you who have been around a long, long, long time, our high school graduation classes peaked. It was the end of the Baby Boom generation. And, at the end of the Baby Boomers, we were being replaced by the Baby Bust generation. The Baby Bust generation came to an end in 1995.

The last three years, the number of high school graduates is on the rise. There are a lot more kids today than there were in 1980 and 1990. Because of a much larger core of students, the number of high school graduates in this country will be rising over the next 10 years. This means that the number of young people trying to make the transition from high school to college will rise by 12% over the next 8 years. In 10 of our states, there will be 20% to 40% more graduates. In this country, we need a system that is going to make it possible for these young people to be given an opportunity to make the transition from high school to the world of work.

In a recent Washington Post article, I reported that in 1990 in the United States, one-half of all new jobs were captured by new immigrants. That is the highest ratio in our country's history.

Among men in the United States, in the 1990s, 80% of all new jobs went to new foreign immigrants. Every new job obtained by somebody under 35 was obtained by a foreign immigrant.

Employers feel they have a solution to this problem. And their solution is, "If you don't give us enough graduates or you don't give us high quality graduates, we have the rest of the world to meet our labor needs." And, immigrants have become in a number of our cities, the **"employees of first resort."** **First resort—not last resort!**

If you looked in the United States last year at every young person who is a male dropout under the age of 25, if you are an immigrant, **84% of the immigrant dropouts were working**. Of the **native-born dropouts only 50% were working**. And, **for inner-city dropouts—33% were working**. This is the challenge.

Employers have found foreign immigrants as a substitute for graduates and dropouts in this country. If we can't turn the dropout problem around, there is no long-term future in the global environment for those young people.

We have three challenges:

1. How do we make JAG the number one program in school-to-work transition for those going from high school to work?
2. How can we position JAG as the means of getting more young people in work and postsecondary education—especially young men?
3. What can JAG do to help reduce the high dropout rate so that this country's educational outcomes in the future will be a lot brighter than what we are looking at presently?

I believe those are three of the most important challenges for JAG or anyone to undertake. And, I think this is a great opportunity for JAG to be at the forefront on these issues for the remainder of the decade.