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ABSTRACT

The problems faced by out-of-school young adults in the United States and the policy implications of those problems were examined. The analysis was based on a review of pertinent publications and statistical data from various government agencies and other sources. The study documented that the past decade has witnessed areas of progress, stagnation, and decline in the educational and labor market arenas for the nation's young adults. The likelihood of a young adult being out of school and out of work in 2001 varied widely by educational attainment, race/ethnicity, family income and background, and geographic location, with high school dropouts from low-income families in the nation's largest central cities facing joblessness rates of 70-80%. The labor market lessons of the 1990s revealed that strong economic growth and the attainment of full employment conditions in labor markets are clearly necessary but not sufficient to solve all youth labor market problems. Improving labor market prospects for the nation's and central cities' young adults especially those with limited postsecondary education in the coming decade will likely prove more formidable than in the previous decade because of forthcoming demographic developments, the U.S. labor market's current weakness, and ongoing changes in the structure of the so-called New American Economy. (Contains 71 tables/figures and 71 footnotes.) (MN)

Left Behind in the Labor Market: Labor Market Problems of the Nation's Out-of-School, Young Adult Populations

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Introduction

The late teenage years and early 20's are critical years for the successful development of young adults as they transition from high school to the post-secondary education system and/or the labor market and begin to form families and other independent households.[1] During these formative years, these young adults will make a number of critical educational and labor market decisions, including the decision whether to remain in high school through graduation and receive a regular high school diploma, whether to attend college upon graduation from high school and the type of educational institution and program to attend, whether to directly enter the labor market upon graduation, and the types of jobs to obtain. The cumulative amount of education, work experience, and training that these young adults receive during these years will have important influences on their long-term labor market success.

The transition of young adults to the career labor markets of the nation has become a more difficult and precarious one for many young adults over the past two decades, especially among those lacking any post-secondary schooling or training.[2] The labor market experiences of young adults are also quite sensitive to general labor market conditions, with their employment rates, full-time employment rates, and their real annual earnings tending to improve at above average rates during periods of strong job growth and full employment as occurred during the mid to late 1990s.[3] On the other hand, young adults tend to experience above average rates of job loss and reduced access to high skilled positions when the economy enters a recession and

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[1] For a review and analysis of the multiple nature of these transitions to young adulthood and the perils faced by many poor youth in making these transitions,
See: Peter Edelman and Joyce Ladner, (Editors), Adolescence and Poverty: Challenge for the 1990s, Center for National Policy Press, Washington, D.C., 1991

[2] For an overview of the increased difficulties encountered by young adults in making the transition from their teenage years to career labor markets, especially among males with no post-secondary schooling,
See: (i) Samuel Halperin (Editor), The Forgotten Half Revisited, American Youth Policy Forum, Washington, D.C., 1998; (ii) Barbara Schneider and David Stevenson, The Ambitious Generations, University of Chicago Press, Chicago, 1999; (iii) Andrew Sum, Robert Taggart, and Neal Fogg, Withered Dreams: The Declining Economic Fortunes of America's Non-College Educated Males and Their Families, Report Prepared for the William T. Grant Foundation Commission on Work, Family, and Citizenship, Washington, D.C., 1988.

[3] For recent assessments of labor market conditions and joblessness rates among the nation's young adults,
See: (i) Andrew M. Sum, Neeta P. Fogg, Robert Taggart, and Sheila Palma, Labor Market Conditions Among 16-24 Year Old Adults in the U.S., Illinois, and the Chicago Metropolitan Area at the End of the 1990s: Progress, Problems, and Future Policy Options, Prepared for the Alternative Schools Network, Chicago, June 2001; (ii) Richard B. Freeman and William M. Rogers III, Area Economic Conditions and the Labor Market Outcomes of Young Men in the 1990s Expansion, National Bureau of Economic Research, Working Paper 703, Cambridge, Massachusetts, 1999; (iii) Andrew M. Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic

endures a jobless recovery such as happened during 2001 and through most of the current calendar year.

The real wages and annual earnings of young adults from their late teens through their late 20s are strongly influenced by their own human capital traits (formal schooling, literacy/numeracy proficiencies, cumulative work experience) and the industrial and occupational characteristics of their jobs.[4] The educational and labor market choices that these young adults make and the opportunities provided to them by the labor market will, thus, have important lifelong impacts on their earnings and incomes. Knowledge of the success of young adults in acquiring more formal schooling, gaining access to post-secondary education and training institutions, and obtaining full-time and well-paid employment is indispensable to the design and implementation of educational, labor market and workforce development policies and programs. This research monograph is primarily designed to review and critically assess the labor market experiences of the nation's out-of-school young adults throughout the 1990s and during the more economically depressed labor market environment of the past two years. A wide array of labor market and income outcomes will be examined for key demographic, geographic, and socioeconomic subgroups of the 16-24 year old out-of-school population. Future labor market prospects of these young adults will be briefly assessed.

An Outline of the Research Report

Our analysis will begin with a brief demographic overview of recent growth in the overall size of the nation's 16-24 year old population and their school enrollment status. The estimated size and employment status of the population of out-of-school youth in calendar year 2001 will then be examined.[5] This discussion will be followed by an analysis of the demographic and

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Challenge: The Labor Market Prospects of Out-of-School Young Adults, Sar Levitan Center for Social Policies, Johns Hopkins University, Baltimore, 2000.

[4] For findings on trends in real wages and earnings among young adults and wage inequality among all working adults and young adults,
See: (i) Andrew Sum, Neeta Fogg, and Garth Mangum, op.cit.; (ii) Andrew Sum, Nathan Pond, and Mykhaylo Trub'skyy with Sheila Palma, Trends in the Level and Distribution of the Weekly and Annual Earnings of Young Adult Men and Women in the U.S., 1973 to 2001, Report Prepared for the National League of Cities, Institute on Youth, Education, and Young Families, Washington, D.C., October 2002; (iii) Finis Welch (Editor), The Causes and Consequences of Increasing Inequality, University of Chicago Press, Chicago, 2002.

[5] This report will not analyze separately the employment status of the nation's in-school young adult populations. A separate research monograph on the employment status of high school students has been prepared by the authors.

socioeconomic characteristics of the out-of-school and out-of-work young adult population, including their age, gender, race-ethnic, and educational attainment characteristics. This demographic analysis will be provided for the entire nation and for young, out-of-school adults living in large metropolitan areas and their central cities in 2001. The household living arrangements and the nativity status of the out-of-school and out-of-work population will be described, with an identification of the share of these youth who are heads of families, spouses of family heads, or the heads of other non-family households.

The labor market experiences of the nation's out-of-school youth over the 1989-2001 period will be reviewed, with trends in aggregate employment rates and full-time employment rates during the recessionary years of the early 1990s and the job market boom from the mid-1990s through 2000 examined. An overview of these trends in the overall employment rates of the nation's out-of-school young adults will be followed by a more detailed analysis of the employment rates and full-time employment rates during calendar year 2001 of young adults in a diverse array of demographic, socioeconomic, and geographic subgroups. The employment rates of out-of-school youth in educational attainment, race-ethnic and geographic subgroups will be examined together with an analysis of variations in employment rates across family income subgroups and between native born and foreign born youth. Foreign immigrants have come to comprise a growing fraction of the nation's young adult population over the past decade, especially among Asians and Hispanics, high school dropouts, and young adults living in the nation's large central cities.

The employment findings will be supplemented with an analysis of joblessness rates among all out-of-school youth and key demographic, socioeconomic, and geographic subgroups during calendar year 2001. The joblessness rates go well beyond the official unemployment statistics which measure only those jobless youth who are actively looking for and available for work.

Trends in young adult employment experiences during the recession of 2001 and the jobless recovery of 2002 will be described and assessed. Declines in employment rates among

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See: Andrew Sum, Nathan Pond, Mykhaylo Trub'skky with Ishwar Khatiwada and Sheila Palma, The Employment Experiences of the Nation's and Central Cities' High School Students: The Case for A Renewed Jobs Initiative for the Nation's Teens, Prepared for the Alternative Schools Network, Chicago, October 2002.

key subgroups of out-of-school youth since the end of the labor market boom in 2000 will be estimated, and findings for out-of-school young adults will be compared to those for older adults (25+) across the entire nation over the same time period.

The employment analyses will be followed by a brief overview of trends in the real weekly and annual earnings of employed out-of-school youth, with an emphasis on the recent structure of the weekly wages and annual earnings of young adult workers by years of schooling completed for men and women. The earnings analysis then will be followed by an examination of the income inadequacy problems of out-of-school youth, including the incidence of poverty/near poverty problems among all out-of-school youth and among those families headed by an out-of-school youth under the age of 25. This group of young families has been the most poverty-prone group of families in the nation, and many of the children residing in these very young families are at substantial risk of long-term poverty.[6]

The final two sections of this paper will be devoted to an analysis of the demographic outlook for the young adult population over the remainder of this decade and a summary of key research findings and their public policy implications. The projected growth in the total number of young adults in the nation's resident population over the 2000-2010 period will be examined together with an analysis of projected changes in the race-ethnic composition of the young adult population.[7] The final section of the paper will summarize key findings of our research analysis and briefly discuss their implications for future educational and workforce development policies for young adults in the U.S.

The Size and Demographic Characteristics of the Nation's Out-of-School and Out-of-Work Population

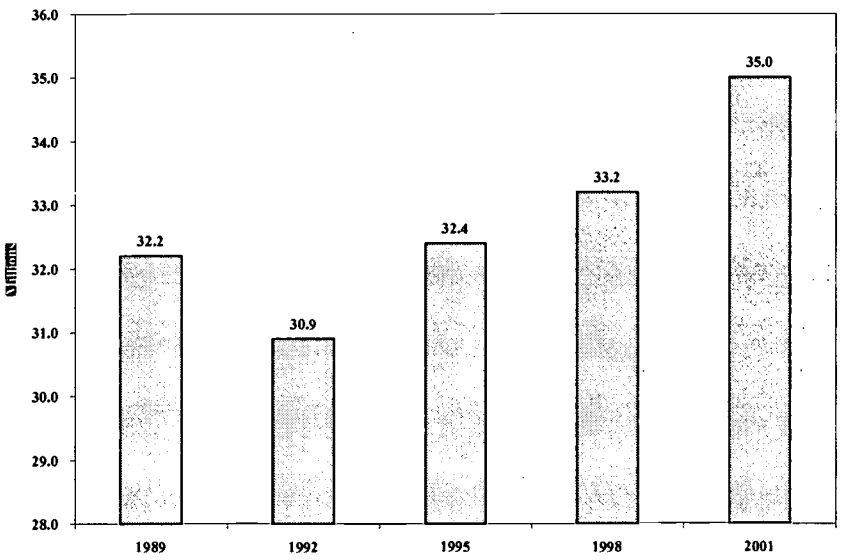
The total number of young adults in the nation's population has been rising since the mid-1990s as a consequence of the coming to young adulthood of the baby boom echo

[6] For a recent assessment of poverty problems among very young families with and without children, See: Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge, especially Chapter Four.

[7] The population projections are based on the middle series national population projections of the U.S. Census Bureau. They include all residents of the population, including inmates of jails, prisons and other institutions, as well as members of the armed services stationed in the U.S.

generation (those born from 1976 to 1990) and increased levels of foreign immigration.[8] From 1980 through the early 1990's, the number of young adults in the nation's resident population had steadily declined as the tail end of the baby boom generation was replaced by members of the baby bust generation.[9] Since 1992, the population of young adults has been rising steadily, increasing from 30.9 million in 1992 to 32.2 million by 1998 and to 35.0 million in 2001. By 2010, the U.S. Census Bureau projects that there will be 38.7 million young adults in the U.S. As will be noted in following sections of this monograph, both the nativity status and the race-ethnic composition of the young adult population have changed markedly over the past decade, and they are projected to continue to do so over the coming decade.

Chart 1:
The Growth of the Nation's 16-24 Year Old Population, 1989 to 2001
(Numbers in Millions)



Of the 35.025 million young adults in the population during calendar year 2001, 18.130 million, or nearly 52 percent, were classified as out-of-school.[10] Of these out-of-school youth, 12.942 million were employed, either full-time or part-time on average during calendar year

[8] The population estimates cited in Chart One are based on the civilian non-institutional population. They exclude all inmates of institutions (jails, prisons, hospitals) and members of the nation's armed services.
[9] See: Andrew M. Sum and Neal W. Fogg, "Labor Market Turbulence and the Labor Market Experiences of Young Adults," in Turbulence in the American Workplace, (Editor: Peter B. Doeringer), New York, Oxford University Press, 1991.
[10] These estimates are annual averages based on the monthly CPS surveys. High school and college students who are on summer break are classified as out-of-school youth during the months they are not attending school. There is a sharp jump in the out-of-school population during the summer months.

2001, while the remaining 5.188 million were jobless. The out-of-school and out-of-work population was equivalent to just under 15 percent of the 16-24 year old population during the past calendar year. While young women are more likely to be enrolled in school than men, they are less likely to be employed when they are out-of-school. Thus, a majority (57%) of the out-of-school, out-of-work young adults are women. Seventeen percent of the nation's young adult women were both out-of-school and out-of-work during calendar year 2001 versus only 13 percent of the men; however, the gender gap for this variable has declined considerably since the late 1980's.

Table 1:
The Size and Gender Composition of the Nation's out-of-school and its out-of-work 16-24 year old young adult population in 2001, U.S. (Numbers in 1000s)

Group	(A) Total	(B) Men	(C) Women
Total Civilian, Non-institutional population	35,025	17,564	17,461
Out-of-school population	18,130	9,207	8,923
Employed	12,942	6,996	5,946
Not Employed	5,188	2,211	2,977
Out-of-school and out-of-work as % of the total civilian population	14.8	12.6	17.0

Source: U.S. Bureau of Labor Statistics, Unpublished data from the monthly Current Population Surveys for calendar year 2001.

While a substantive share of the employed out-of-school youth population experience problems in acquiring full-time jobs with adequate pay, particularly when they lack any post-secondary schooling, there has been an increased emphasis on addressing the economic and educational problems of the out-of-work young adult population. The youth development literature and national research on the longitudinal economic and social experiences of youth and teen mothers has revealed the importance of keeping youth actively engaged in schooling and labor market activities during their late teenage and early adult years.[11] The concept of "disconnected youth" or "at risk" youth has been used by Douglas Besharov and other youth development researchers to describe this population of youth no engaged in schooling or

[11] See: (i) Douglas J. Besharov, America's Disconnected Youth: Toward A Preventive Strategy, CWAL Press and American Enterprise Institute for Public Policy Research, Washington, D.C., 2000; (ii) Neeta Fogg, An Economic Analysis of the Determinants and the Long-Term Labor Market Consequences of Teenage Childbearing in the United Stats, 1977-1991, Unpublished Ph.D. Dissertation, Department of Economics, Northeastern University, 1997.

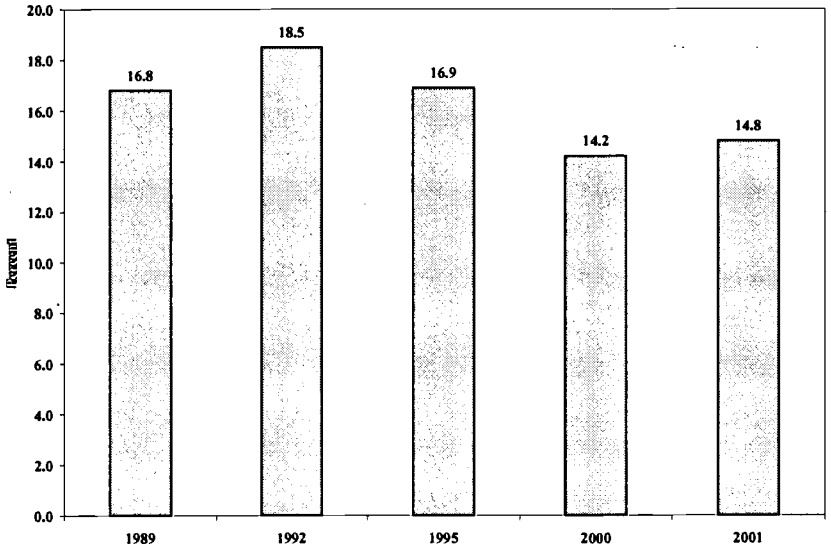
employment activities.[12] Youth who are disconnected from mainstream schooling and labor market activities also are far more likely to engage in criminal activities, anti-social behaviors and teenage parenting. As a consequence of their limited human capital and their anti-social behaviors, they experience considerably greater difficulties in obtaining well-paid employment in their young adult years and are much more likely to end up being poor and economically dependent.[13] Youth development programs, thus, should aim to minimize the numbers of "disconnected" 16-24 year olds who are both out-of-school and out-of-work.

Nationally, there had been success from 1992 through 2000 in reducing both the number and percent of the nation's 16-24 year olds who were both out-of-school and out-of-work. Increased enrollments of youth in high school and post-secondary education programs combined with improved employment opportunities for out-of-school youth in each educational subgroup and race-ethnic group helped lower the number of disconnected youth throughout the nation from the mid 1990s through calendar year 2000. The number of disconnected youth fell from 5.737 million in 1992 to 4.845 million in 1998 before stabilizing over the next two years. The incidence of such problems among 16-24 year olds declined form 18.5% in 1992 to slightly over 14% in 1999 and 2000. (Chart 2). During calendar year 2001, the share of 16-24 year olds who were both out-of-school and out-of-work rose to close to 15 percent as a consequence of declining employment opportunities for out-of-school youth.

[12] The concept of "at risk" youth has been used by Boston PIC and CLMS researchers in assessing outcomes of followup surveys of recent Boston public school graduates.
See: Ishwar Khatiwada, Andrew Sum, et.al., The Post-High School College Enrollment and Labor Market Activities of Class of 2001 Graduates from Boston Public High Schools, Boston, 2002.

[13] For a more detailed examination of the labor market, wage, and earnings experiences of the nation's out-of-school youth,
See: (i) Andrew M. Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Prospects of Out-of-School Young Adults, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 2000; (ii) Andrew Sum, Nathan Pond with Mykhaylo, Trends in the Level and Distribution of the Weekly and Annual Earnings of Young Adult Men and Women in the U.S., 1973 to 2001, National League of Cities, Institute on Youth, Education, and Young Families, October 2000.

Chart 2:
Percent of 16-24 Year Old Youth Who Were Out-of-School and Out-of-Work, U.S.: Selected Years, 1989 to 2001

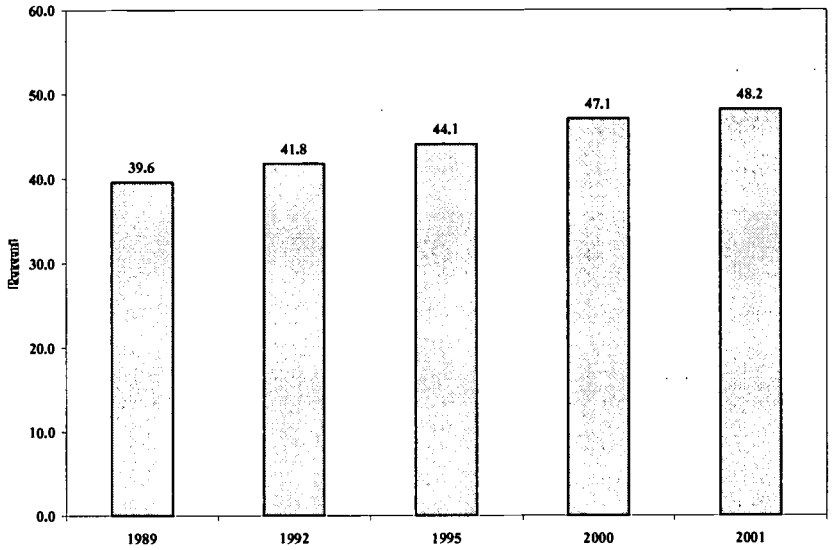


Nearly all of the progress in reducing the share of the young adult population that was both out-of-school and out-of-work that took place between 1989 and 2000 resulted from a rise in the share of 16-24 year olds who were enrolled in school, including high schools, two year colleges, and four year colleges and universities. In 1989, slightly under 40 percent of the nation's 16-24 year olds were enrolled in school (Chart 3). This ratio rose to 44 percent in 1995 to 47 percent in 2000 and further to 48 percent in 2001. Not all of this increase in the enrollment rate is positive. Weaker job prospects tend to encourage more youth to stay in high school, including during the summer months, and to postpone graduating from college. While school enrollment rates have be4en improving, the high school graduation rates and college degree attainment rates have not been improving to the same degree. The fraction of the nation's 18 year olds receiving regular high school diplomas was no higher in 2000 than it was at the end of the 1980s,[14] and the fraction of young adults with four year degrees only modestly higher at the end of the 1990s than it was at the end of the 1980s with most of the gains attributable to women.[15] In addition, the fraction of new high school graduates attending college in the fall

[14] See: Andrew Sum, Paul Harrington, et.al., The Hidden Crisis in the High School Dropout Problems of Young Adults in the U.S.: Recent Trends in Overall School Dropout Rates and Gender Differences in Dropout Behavior, Report Prepared for the National Business Roundtable, Washington, D.C., September 2002.
[15] See: Paul Barton, The Closing of the Education Frontier, Policy Information Center, Educational Testing Service, Princeton, 2002.

immediately following graduation has declined by nearly six percentage points over the past four years (October 1997 to October 2001).[16]

Chart 3:
Percent of 16-24 Year Olds Who Were Enrolled in School, U.S.:
Selected Years, 1989 – 2001

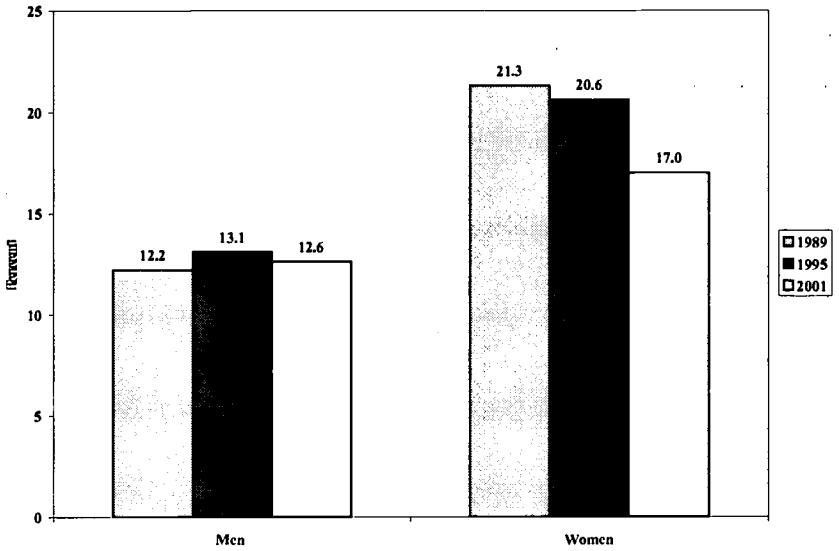


The drop in the overall share of 16-24 year olds who were both out-of-school and out-of-work between 1989 and 2001 was entirely attributable to women. Over this 12 year period, the share of women who were out-of-school and out-of-work declined from 21 to 17 percent while the share of men in this status was slightly higher in 2001 than in 1989 (Chart 4). Women are graduating from high school, enrolling in college, and obtaining two and four year degrees at higher rates than women and the gaps have been widening over the past decade.[17]

[16] See: Ishwar Khatiwada and Andrew Sum, Gender Differences in High School Graduation Rates and College Enrollment Rates of Graduates from Boston Public High Schools and U.S. High Schools in Recent Years, Report Prepared for the Boston Private Industry Council, Boston, November 2002.

[17] See: Andrew Sum, Neil Sullivan, et.al., Gender Gaps in High School Dropout Rates and College Attendance Rates in Massachusetts and Its Large Cities: The Educational Deficits of Boys and Their Future Economic and Social Consequences, Center for Labor Market Studies, Northeastern University, April 2002.

Chart 4:
Percent of 16-24 Year Old Men and Women Who Were Out-of-School and Out-of-Work, U.S.: Selected Years, 1989 to 2001



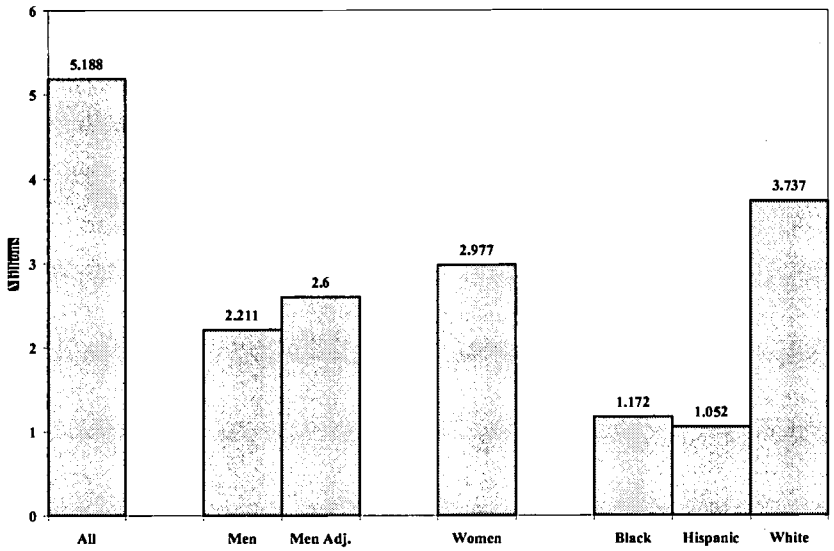
On an average week during calendar year 2001, there were 5.188 million 16-24 year olds in the nation's civilian non-institutional population who were neither enrolled in school no employed. (Chart 5).[18] This total excludes those youth who were homeless, inmates of jail and prisons and other institutions (juvenile homes, long stay hospitals) during that year. For example, during calendar year 2001, we estimate that there were somewhere between 360,000 to 390,000 men ages 18-24 in the nation's jails and prisons. Of the nearly 5.2 million out-of-school, out-of-work young adults, 2.21 million were males and 2.98 million were women, with the latter group accounting for 57% of the total.

Whites (including Hispanics who identify themselves as White) represented a substantial majority (72%) of the out-of-school, out of work population; however, relatively high numbers of this group were either Black (1.17 million) or Hispanic (1.05 million). (Chart 5). Over 40 percent of the out-of-school, out-of-work population was either Black or Hispanic during the past calendar year.

Teens are much more likely than 20-24 year olds to be enrolled in school; thus, while 20-24 year old work more often than teens, they comprise an above average share of the out-of-

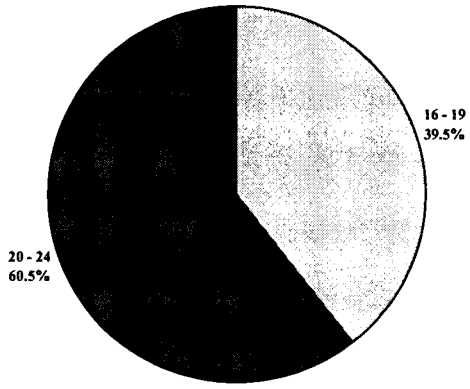
school, out-of-work population. There were 3.139 million 20-24 year olds who were out-of-school and out-of-work during 2001, representing slightly over 60% of the total number of 16-24 year olds who were neither at work nor in school.[19] (Chart 6).

Chart 5:
Estimated Number of Out-of-School, Out-of-Work 16-24 Year Olds in the U.S., Total and by Gender and Race-Ethnic Group, 2001
(in Millions)



[18] Since youth flow into and out of school and into and out of jobs during the year, the cumulative number of youth who will be out of school and out of work during the year will be several million greater than the weekly average.
[19] We believe that the true number of 20-24 year olds, especially males, who were out-of-school and out-of-work is larger than this since the CPS surveys miss a relatively high number of 20-24 year olds, especially Black males. Since those who were missed by the CPS survey are more likely than those who were interviewed to be out-of-school and out-of-work, the weighting process used by the U.S. Census Bureau to derive population estimates of the young adult population who are in school or employed will under-estimate the true number of out-of-work young adults.

Chart 6:
The Percentage Distribution of the 16-24 Year Old Out-of-School, Out-of-Work Population by Age Group, U.S.: 2001



A substantial majority of the nation's out-of-school, out-of-work population lack any post-secondary schooling and many have not yet obtained a regular high school diploma or a GED certificate. (Chart 7). The largest single educational group were high school dropouts (3.28 million), followed by those young adults with a high school diploma or a GED certificate but no completed years of post-secondary schooling (1.91 million). There were only 216,000 bachelor degree holders who were neither in school nor at work during a typical month in 2001. Forty-four percent of the out-of-school, out-of-work youth were high school dropouts, and 81 percent were members of the "Forgotten Half," i.e., those young adults who lack any post-secondary schooling (Chart 8). Only 4 percent of the nation's disconnected youth held a bachelor's or advanced academic degree. The likelihood that a young adult would be categorized as a "disconnected youth" was strongly associated with his or her educational attainment. Slightly over 45 percent of young adult dropouts would have been classified as "disconnected" versus only 19 percent of high school graduates and 8 to 9 percent of those completing some post-secondary schooling. (Chart 9).

Chart 7:
Estimated Number of Out-of-School, Out-of-Work 16-24 Year Olds in the U.S. by Educational Attainment in 2001
(in Millions)

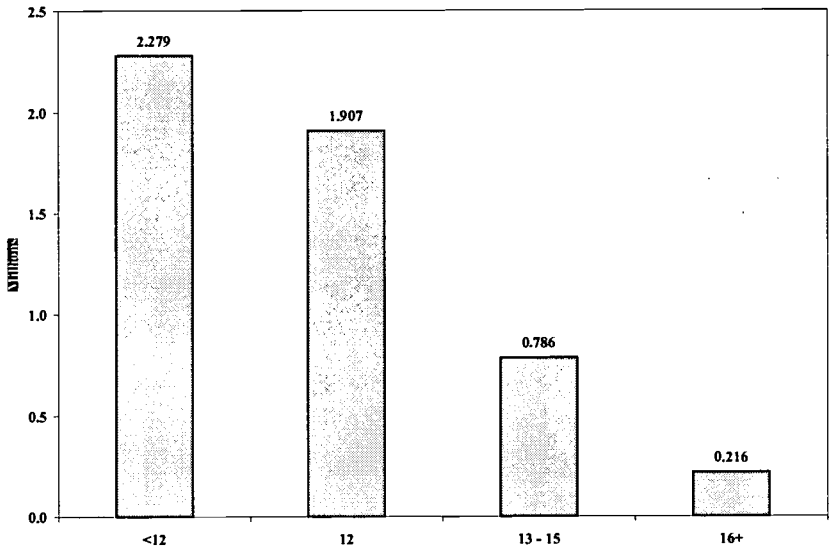


Chart 8:
The Percentage Distribution of the 16-24 Year Old Out-of-School, Out-of-Work Population by Educational Attainment, U.S.: 2001

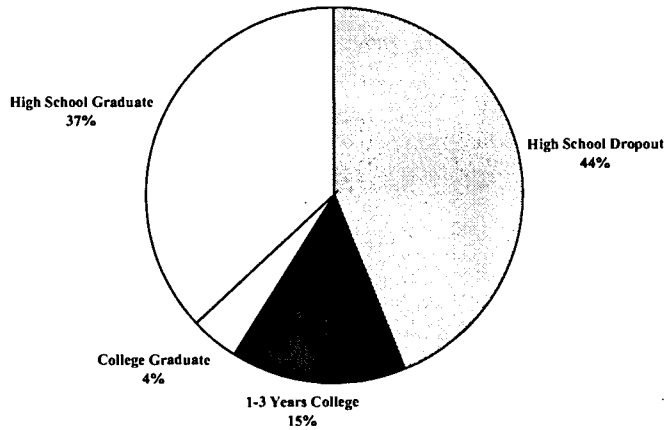
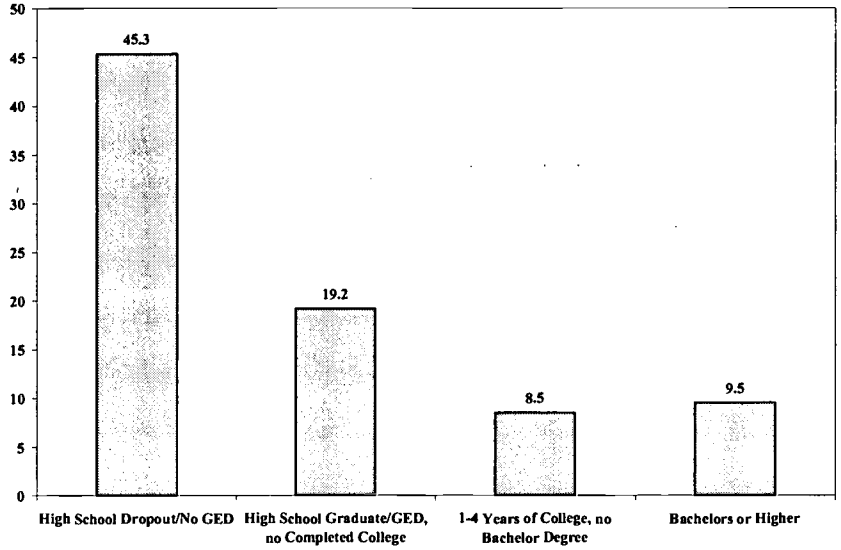


Chart 9:
Percent of 16-24 Year Olds Who Were Both Out-of-School and Out-of-Work by Educational Attainment, U.S.: 2001



A relatively high fraction (40%) of the nation's out-of-school, out-of-work young adult population lived in the 50 most populous metropolitan areas. During 2001, there were 2.03 million disconnected young adults residing in the nation's 50 largest metropolitan areas. (Table 2). A slight majority (51%) of these disconnected youth were either Black or Hispanic and another six percent were Asian. Similar to the findings for the nation as a whole, a substantial majority (79%) of these disconnected youth failed to complete any post-secondary schooling, and 41 percent of them lacked a high school diploma or a GED certificate. (Table 2). Within these 50 large metropolitan areas, the chances of a young adult being classified as disconnected varied considerably by their educational attainment. Forty-three percent of high school dropouts were categorized as disconnected versus 21 percent of high school graduates and less than nine percent of those completing one to three years of post-secondary schooling (Chart 10). A separate analysis of the data for those young adults living in the central cities of the nation's 50 largest metropolitan areas revealed extraordinarily large differences in the incidence of disconnected youth problems across race-ethnic/educational subgroups. Sixty-three percent of the Black high school dropouts in these 50 large central cities were out-of-school and out-of-work as were 46 percent of White high school dropouts. (Chart 11). The incidence of such problems fell to 24 percent for Hispanic high school graduates, to 13 percent for Black youth

with some post-secondary schooling, and to only 11 percent for White bachelor degree recipients. The demographic group with the highest incidence of disconnected problems (Black dropouts) was nearly eight times more likely to be disconnected than the group' with the lowest incidence of such problems (Asian youth with some post-secondary schooling).

Table 2:
Number of 16-24 Year Old Out-of-School, Out-of-Work Youth in the Nation's 50 Largest Metropolitan Areas by Race-Ethnic Group and Educational Attainment, 2001 Annual Averages
(in 1000s)

	(A)	(B)
Group	Number	Percent
Total	2,033	100
Asian	126	6
Black, not Hispanic	495	24
Hispanic	555	27
White, not Hispanic	846	42
High school dropout	842	41
High school graduate, no college	770	38
1-3 years of college	278	14
Bachelor's or higher degree	143	7

Source: Monthly 2001 CPS public use files, tabulations by authors.

Chart 10:
Percent of 16-24 Year Old Non-High School Students in the Nation's 50 Largest Metro Areas Who Were Out-of-School and Out-of-Work, by Educational Attainment, 2001 Annual Averages

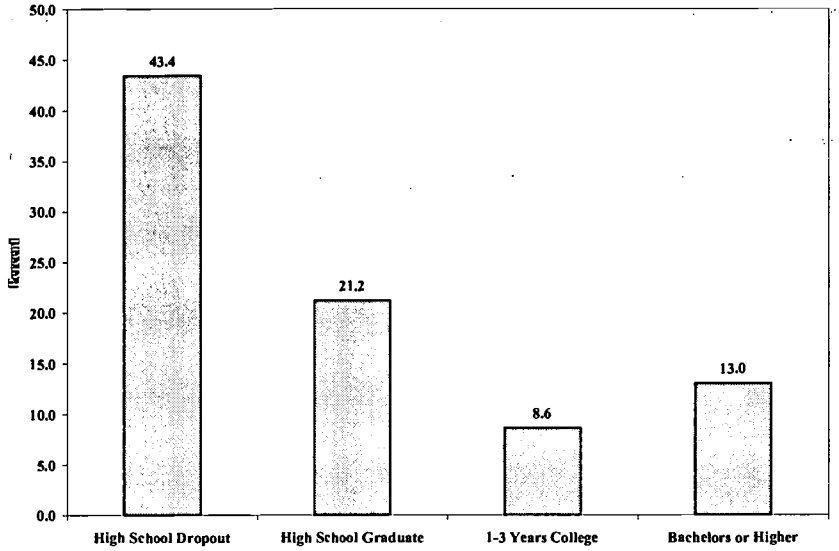
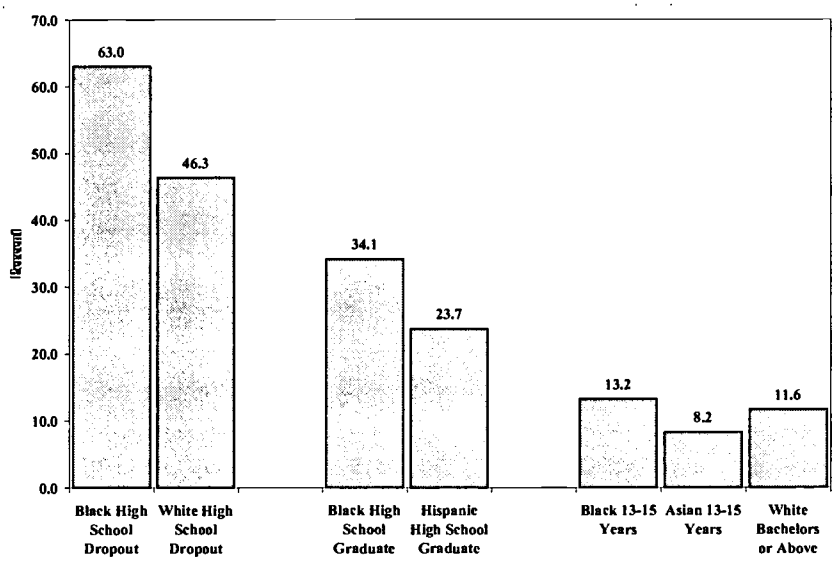


Chart 11:
Percent of 16-24 Year Old Non-High School Students in Selected Subgroups in the Central Cities of the 50 Largest Metro Areas Who Are Out-of-School and Out-of-Work, 2001



In the central cities of the nation's 10 largest metropolitan areas, there were 620,000 out-of-school, out-of-work young adults during calendar year 2001. (Table 3). The numbers of

these disconnected youth ranged from lows of 12 to 19 thousand in Riverside/San Bernardino and Boston to highs of just under 100,000 in Chicago and slightly over 200,000 in New York City. In the cities of Chicago, Los Angeles, and New York City, slightly more than one of every five 16-24 year olds were neither working nor enrolled in school.

Table 3:
Number of 16-24 Year Old Out-of-School, Out-of-Work Youth in the Central Cities of the 10 Largest Metropolitan Areas, 2001 Annual Averages
(in 1000s)

City	Number
Boston	19,000
Chicago	97,000
Dallas	49,000
Detroit	44,000
Houston	55,000
Los Angeles	88,000
New York	202,000
Philadelphia	39,000
Riverside/San Bernardino	12,000
Washington, D.C.	16,000
Total	620,000

Source: 2001 monthly CPS household surveys, public use files, tabulations by authors.

A substantial majority (71%) of the out-of-school, out-of-work young adults in these 10 large central cities were either Black or Hispanic, with Black youth alone accounting for 39 percent of the disconnected youth.[20] Slightly under one-fourth of the disconnected youth in these 10 central cities were White, non-Hispanics and another 5 percent were Asian. As was true for the nation and the 50 largest metropolitan areas, the largest number of disconnected youth in these 10 large central cities were high school dropouts (281,000), representing nearly one-half of all disconnected youth. (Table 4). Nearly 5 of every 6 disconnected youth lacked any completed years of post-secondary schooling. Their limited formal educational attainment, their frequently deficient literacy and numeracy skills, and their absence from steady, full-time employment will place them at great risk of joblessness, poverty, and dependency in their future adult years.

[20] These 10 central cities are not identical to the largest 10 central cities in terms of population since they were selected on the basis of the population size of the metropolitan areas in which they were physically located. Eight of these ten central cities would, however, have been ranked among the ten most populous central cities in 2000.

Table 4:
Number of 16-24 Year Old Out-of-School, Out-of-Work Youth in the Nation's 10 Largest Central Cities, by Race-Ethnic and Educational Attainment Subgroup, 2001 Annual Averages
(in 1000s)

Group	(A) Number	(B) Percent
Total	620	100
Asian	33	5
Black, no Hispanic	244	39
Hispanic	201	32
White, not Hispanic	142	23
High school dropout	283	46
High school graduate, no college	221	36
1-3 years of college	76	12
Bachelor's or higher degree	40	6

Source: 2001 monthly CPS surveys, public use files, tabulations by authors.

The Household Living Arrangements of the Nation's Out-of-School Young Adult Population

Knowledge of the household living arrangements of the nation's out-of-school youth population is helpful in assessing the short-term economic and social consequences of youth joblessness. Some analysts have argued that youth joblessness is not a critical social problem since many of these youth simply remain at home living with their parents or other relatives and are supported by them. Over the past few decades, the household living arrangements of the nation's young adult population have changed in a number of key respects, with fewer young adults marrying and forming independent households.[21] Still, a fairly high fraction of the nation's young out-of-school young adults have formed their own independent households, and many of these young families, especially those headed by single women, face very precarious economic circumstances, being characterized by the highest family poverty rates in the entire country. The poverty problems of out-of-school young adults and young families will be described more fully in a following section of this monograph.

[21] For earlier reviews of the changing marital behavior and household living arrangements of young men, See (i) Clifford Johnson and Andrew M. Sum, Declining Earnings of Young Men: Their Impact on Poverty, Adolescent Pregnancy, and Family Formation Children's Defense Fund, Washington, D.C., 1987; (ii) Andrew M. Sum, Clifford

During March 2002, of the 15.862 million out-of-school young adults, approximately one-third were the heads of families or sub-families and another 11 percent were heads of non-family households, either living by themselves or with others to whom they were not related.[22] Women were much more likely than men to be either family heads or the spouses of family heads (44% vs. 21%).[23] A very high fraction (80%) of these female family heads are unmarried and many are single mothers. More than two-thirds of the men live with their parents, other relatives, or roommates. The steep decline in the real annual earnings of young men with no post-secondary schooling over the past few decades has limited their ability to marry or form independent households. Even in their later adult years (25-40), those men with no post-secondary schooling are far less likely than their better educated male counterparts to marry and stay married though many of them have become fathers. There are large social and economic costs associated with the weakened labor market position of American males with no post-secondary schooling, i.e., the so-called "Forgotten Half"[24] who largely remain forgotten by the nation's economic policymakers until they commit crimes, raise children out-of-wedlock, or are needed to fight wars on behalf of the country.

The fraction of out-of-school young adults who are heads of families or subfamilies also tends to vary by race-ethnic group and educational attainment. The share of out-of-school young adults who were heads of families or subfamilies ranged from a low of 19% among White, non-Hispanics to 23% among Hispanics, and to a high of 29% among Blacks. A very high share of these young Black families and subfamilies are headed by women with children present in the home, and a majority of them had annual incomes at or below the federal government's poverty line in 2001. These young families with children are the most poverty prone group of families in American society. Many of these young family heads possess limited formal schooling (Chart 13). In March 2002, 30 percent of all out-of-school adults that were family or subfamily heads

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Johnson, and Neal Fogg, "Young Workers, Young Families, and Child Poverty" in Of Heart and Mind. (Editors: Stephen Mangum and Garth Mangum), W.E. Upjohn Institute for Employment Research, Kalamazoo, 1996.

[22] A sub-family is a family that shares the living quarters of another household. These sub-families can be classified into one of two groups: related sub-families or unrelated sub-families. Related sub-families are living with others to whom they are related; e.g., their mother, father, grandfather, or other relatives.

[23] In a married couple family, either the husband or the wife can be the family householder. The same applies to the spouse in such families.

[24] See: (i) Commission on Work, Family and Citizenship, The Forgotten Half: Pathways to Success for America's Youth and Young Families, W.T. Grant Foundation, Washington, D.C., 1988; (ii) Samuel Halperin (Editor), The Forgotten Half Revisited: American Youth and Young Families, American Youth Policy Forum, Washington, D.C., 1998.

lacked a high school diploma or a GED certificate, and another 44 percent had completed only twelve years of formal schooling. Only 1 of every four out-of-school young family heads had completed any post-secondary schooling, and only six percent held a bachelor's or higher degree. The limited formal schooling, literacy/math proficiencies, and work experiences of many young family and subfamily heads reduce both their employability and earnings potential and places them at a high risk of poverty, especially if children are present in the home. Nearly one-half of all young families/subfamilies headed by an individual lacking a high school diploma/GED were poor in the U.S. during calendar year 2001.

Table 5:
The Household Membership Status of 16-24 Year Old
Out-of-School Youth in the U.S. by Gender, March 2002
(in %)

	(A)	(B)	(C)
Membership Status	All (N = 15.862 million)	Men (N = 8.108 million)	Women (N =7.754 million)
Family head or subfamily head	21.7	15.0	28.7
Spouse of family/subfamily head	10.2	5.5	15.1
Head of Non-family household	11.0	10.9	11.1
All other (child, grandchild, nephew, other relative of head; roommate/partner)	57.1	68.4	45.2
Total	100.0	100.0	100.0

Chart 12:
Percent of 16-24 Year Old Out-of-School Youth Who Are Heads of Families or Subfamilies by Race-Ethnic Group, U.S.: March 2002 (N=15.862 million)

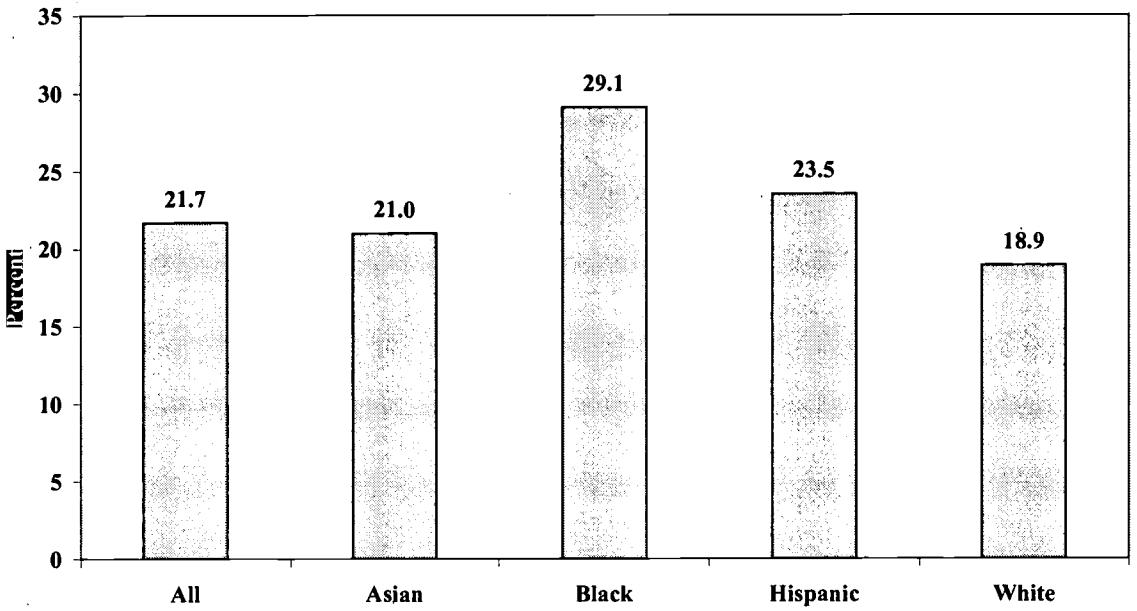
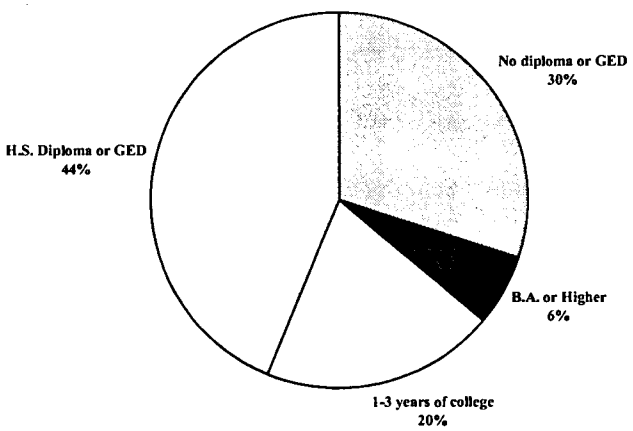


Chart 13:
Educational Attainment of 16-24 Year Old Out-of-School Youth Who Are Heads of Families or Subfamilies, U.S.: March 2002



Foreign Immigration and the Young Adult Population

During the past decade, foreign immigration played a substantial role in boosting population and labor force growth across the country. Over 40 percent of the nation's population growth in the 1990s decade and one half of the nation's civilian labor force growth was generated by new waves of foreign immigrants.[25] The absolute and relative size of this new wave of foreign immigration was historically unprecedented, exceeding the demographic impacts of the Great Wave of Immigration over the 1890-1914 period.

Large numbers of these new immigrant arrivals were relatively young, and they represented a large and growing share of the nation's young adult population over the past two decades.[26] In March 2001, there were 3.92 million young adults who were foreign born, accounting for 11.2 percent of the nation's young adult population. (Table 6). By March 2002, the foreign born were estimated to account for 1 of every 8 young adults, and they generated all of the population growth among the nation's 16-24 year old population between 1990 and 2000.

Table 6:
The Nativity Status of the Nation's 16-24 Year Old
Civilian Non-institutional Population, March 2001

Nativity Status	(A) Number	(B) Percent of Total
Foreign born	3,902	11.2
Native born	31,057	88.8
Total	34,958	100.0

Source: March 2001 CPS public use files, tabulations by authors.

The demographic and human capital characteristics of these foreign born young adults differ substantially in a number of key respects from those of the native born population. Very

[25] For an overview of foreign immigration contributions to population and labor force growth in the U.S. during the 1990s and early years of the twenty-first century, See: (i) Andrew Sum, Ishwar Khatiwada, Nathan Pond, and Jacqui Motroni, The New Great Wave: Foreign Immigration in Massachusetts and the U.S. During the Decade of the 1990s, Paper Prepared for the Teresa and H. John Heinz III Foundation, Washington, D.C., 2000; (ii) Andrew Sum, Neeta Fogg, Paul Harrington, et.al., Immigrant Workers and the Great American Job Machine, Center for Labor Market Studies, Northeastern University, Boston, August 2002.

[26] For an earlier overview of trends in the numbers of the foreign born young adult population in the U.S., See: Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Prospects of Out-of-School Young Adults, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 2000.

high fractions of the Asian (49%) and Hispanic (43%) young adult populations were foreign born while only 6 percent of the nation's Black young adults and less than 3 percent of White, non-Hispanic young adults were foreign born (Table 7). Foreign immigrants have fundamentally altered the race-ethnic composition of the young adult population and have contributed to making Hispanics the second largest race-ethnic group among the nation's young adult population today. In calendar year 2000, there were 5.1 million Hispanic young adults living in the U.S. versus only 4.96 million Black, non-Hispanics.[27] By the end of the decade, the U.S. Census Bureau projects that there will be more than 6.8 million Hispanic young adults in the nation.

Table 7:
Percent of the Nation's 16-24 Year Old Population that is Foreign Born by Race/Ethnic Group, Educational Enrollment/School Attainment, and Geographic Location, March 2001

Group	Percent
Asian	49.1
Black, not Hispanic	6.3
Hispanic	43.0
White, not Hispanic	2.6
High school student	7.8
College student	9.5
High school dropout	26.3
High school graduate	10.7
1 – 3 years college	8.9
4 years or more college	11.1
Central cities	20.0
Suburbs	10.3
Non-metropolitan areas	3.3

Source: March 2001 CPS public use files, tabulations by authors.

An above average share of the nation's foreign born young adults were out-of-school in March 2001. Only 8 percent of the nation's high school students and between 9 and 10 percent of the college students were foreign born. These young adult immigrants were most heavily over-represented among the nation's high school dropouts. Slightly over 26 percent of all young adult dropouts were foreign born, and they comprised over 40 percent of the young adult dropout population in many of the nation's large central cities. Many of these young immigrant

[27] These estimates were based on the U.S. Census Bureau's resident population counts for calendar year 2000.

dropouts, especially men, are strongly attached to the labor market, and they are frequently employed at rates well above those of their native born counterparts especially Blacks.[28] In contrast to their high share of young adult dropouts, these young foreign born adults comprised only 9 percent of the nation's out-of-school youth with 1 to 3 years of post-secondary schooling and 11 percent of those holding a bachelor's or more advanced academic degree.

Trends in the Employment Status of the Nation's Out-of-School Young Adult Population

One of the core measures of the labor market success of out-of-school youth is their employment rate. How successful have all out-of-school youth been in obtaining jobs over the 1989-2001 period? How have trends in national labor market conditions during the 1989-2001 period influenced their job prospects? Did all major subgroups of out-of-school youth experience similar improvements and declines in their employment rates due to the strengthening and then weakening of national labor market conditions characterizing the 1989-2001 period? This section answers those questions by focusing on the employment-population ratios of the nation's out-of-school 16-24 year-olds as measured by the monthly Current Population Surveys and reported by the U.S. Bureau of Labor Statistics and our own analyses of the CPS public use files.[29]

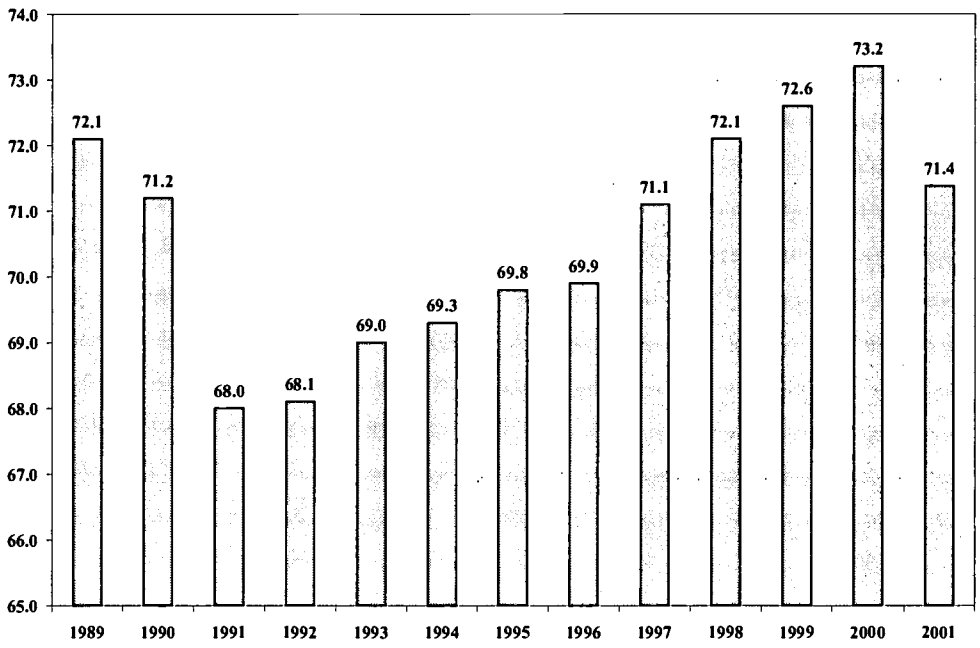
The E/P ratios of out-of-school youth tend to be quite cyclically sensitive, much more so than those for adults 25 and older. When the national economy undergoes a recession and aggregate job opportunities decline, fewer youth enter the labor market, and unemployment rates of out-of-school youth tend to rise at an above average pace, thereby depressing their employment/population ratio. For example, between 1989 and 1991, the employment/population

[28] For a recent analysis of young immigrants' labor market experiences, See: Andrew Sum and Mykhaylo Trub'skyy with Sheila Palma, The Nation's Young Adult Immigrant Population: A Profile of Their Demographic and Educational Characteristics and Recent Labor Market Experiences, Prepared for National League of Cities, Institute on Youth, Education and Families, Washington, D.C., September 2002.

[29] For earlier analyses of trends in the employment rates of out-of-school youth in the late 1980s and 1990s, See: (i) Samuel Halperin, "Today's Forgotten Half: Still Losing Ground," in The Forgotten Half Revisited, American Youth Policy Forum, Washington, D.C., 1998; (ii) Andrew Sum, Neeta Fogg, and Neal Fogg, Out of School, Out of Luck? Demographic and Structural Change and the Labor Market Prospects of At Risk Youth, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 1997; (iii) Andrew Sum and Neal Fogg with Sheila Palma and Neeta Fogg, Labor Market Conditions Among Out-of-School Youth in the U.S., Best Practices Workshop on School-to-Work Transition in APEC Countries. Ottawa, 1999; (iv) Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Prospects of At-Risk Youth, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 2000.

ratio of all out-of-school youth declined sharply from 72.1% to 68.0%, a drop of 4.1 percentage points or 6% while the E/P ratio for the nation's adults (25 and over) declined by less than 1 percentage point over the same time period (Chart 14). Following 1992, the E/P ratio for out-of-school youth increased steadily as national labor market conditions improved, rising to 72.6% in 1999 and 73.2% in 2000, surpassing the E/P ratio achieved at the peak of the economic boom in 1989. The steady improvement in the employment status of the nation's young adults, however, would not last. In the winter of 2001, the annual average employment rate of the nation's young adults had declined to 71.4% and would fall considerably further during the spring and summer of 2002.

Chart 14:
Employment/Population Ratios of Out-of-School 16-24 Year Old Persons, U.S., 1989-2001
(Annual Averages, Numbers in Percent)



Employment rates of the nation's out-of-school youth tend to vary quite widely across major race-ethnic groups, with White youth being most likely to be employed each year followed by Hispanics and Blacks (Table 8). For example, during 2001, on average, 75% of White youth were employed versus 68% of Hispanic youth and only 57% of Black youth. Very similar race-ethnic differences in employment rates prevailed in each other year although the size of the

Black-white employment gaps diminished as labor market conditions improved from 1992 to 2000.

The employment rates of youth in each of these three race-ethnic groups tend to be quite cyclically sensitive. This is particularly true for Black youth whose overall E/P ratio fell by 10% between 1989 and 1991 versus declines of only 6% for Hispanics and 5% for Whites over the same time period. Conversely, during the strong labor market conditions which prevailed through calendar year 2001, the Hispanic and Black youth employment rates increased by 7 full percentage points versus gains of less than three percentage points for Whites.[30] During the recession year of 2001, the E/P ratios of each race-ethnic group declined, with particularly large reductions among Black and White youth.

Table 8:
Trends in Employment Rates of 16-24 Year Old Out-of-School Youth by Race-Ethnic Group, Selected years 1989-2001
(Annual Averages, in Percent)

Year	(A) Black	(B) Hispanic[1]	(C) White
1989	55.5	64.9	75.4
1991	50.1	60.3	71.7
1992	48.7	60.0	72.0
1995	53.3	61.4	73.2
1997	54.8	64.6	74.7
1998	57.4	66.5	75.2
1999	59.2	66.4	75.4
2000	59.2	68.8	76.8
2001	56.9	67.9	74.5

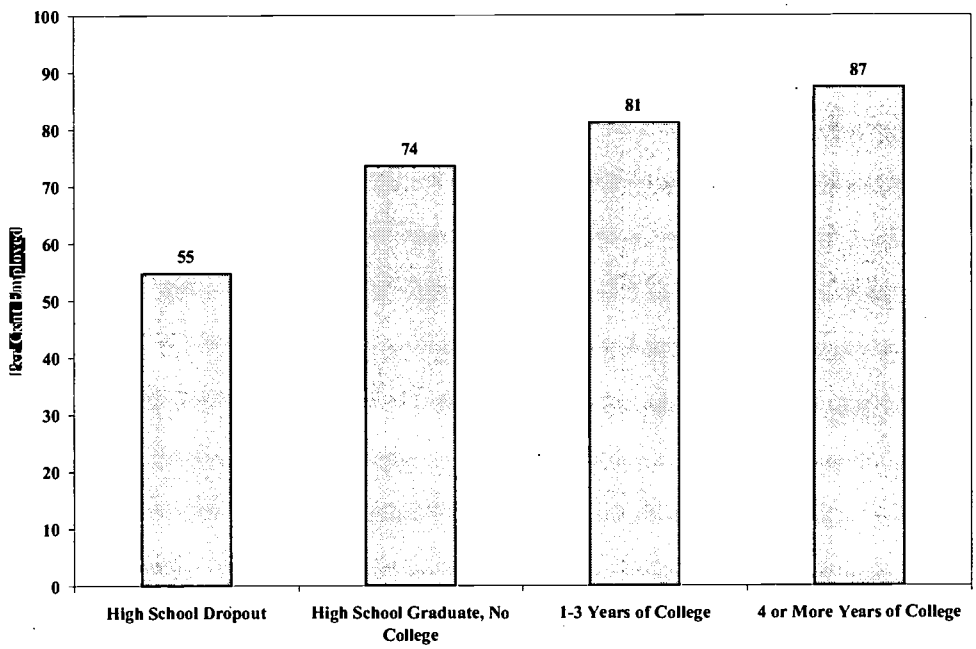
Sources: U.S. Bureau of Labor Statistics, Employment and Earnings, January 1990, 1992, 1993, 1996, 1998, tabulations by authors; U.S. Bureau of Labor Statistics, Unpublished data from the 1999, 2000, and 2001 monthly CPS surveys provided to the authors in 2002.

Note: (1) Hispanics can be members of any race although a substantial majority of them are classified as White in the monthly CPS household surveys.

[30] For a review of the impacts of full employment conditions on the employment prospects of young Black men in metropolitan areas across the nation, see: Sylvia Nasar with Kirsten B. Mitchell, "Booming Job Market Draws Young Black Men into Fold," New York Times, May 23, 1999, pp. 1,21; (ii) Richard B. Freeman and William M. Rogers, III, Area Economic Conditions and the Labor Market Outcomes of Young Men in the 1990s Expansion, National Bureau of Economic Research, Working Paper 703, Cambridge, MA 1999.

Employment rates of out-of-school youth also differ considerably by their educational attainment, rising strongly and consistently with the level of formal schooling. Those youth lacking high school diplomas or GED certificates have fared the worst in the nation's job markets over the past decade.[31] During 2001, only 55% of young high school dropouts were employed versus 74% of high school graduates, 81% of those completing one to three years of college, and 87% of four-year college graduates (Chart 15). Part of the substantial employment advantage of four-year college graduates over high school dropouts reflects their average older age;[32] however, large gaps in employment rates by educational attainment also prevail among out-of-school youth in their early twenties. For example, among 20-24 year olds in 2001, employment/population ratios varied from a low of 61% for high school dropouts to a high of 87% for four-year college graduates.

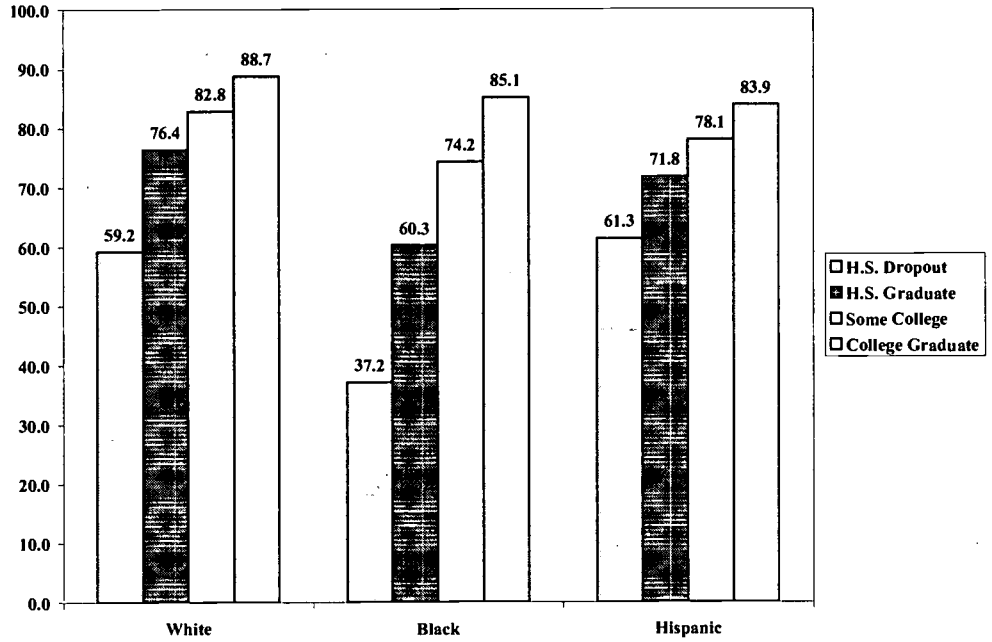
Chart 15:
Employment to Population Ratios of 16-24 Year Old Non-Enrolled Youth, by Educational Attainment, U.S. 2001



[31] The CPS survey distinguishes youth with a high school diploma from those holding a GED certificate. As will be shown below, the employment rates of 18-24 year old GED holders in 1998 were about 7 to 9 percentage points below those of high school graduates in each gender and race-ethnic group, but these gaps tend to vary by central city/suburban locations and race-ethnic group.

[32] The employment rates of out-of-school youth rise fairly steadily and strongly as they move from their teens into their mid-20s. For example, during 2001, the employment rate of 16-19 year old out-of-school youth was only 58%

Chart 16:
Employment/Population Ratios of Non-Enrolled 16-24 Year Olds by Educational Attainment and Race/Ethnic Group, U.S., 2001



The strong positive statistical associations between the educational attainment of youth and their employment rates hold true among Black, Hispanic, and White youth (Chart 16). For example, among out-of-school Black youth, annual average employment rates during 2001 rose from a low of 37% among high school dropouts to 85% for four year college graduates. Both the absolute and relative sizes of the employment gaps between Black and White out-of-school youth tend to diminish considerably as Black youth complete more years of formal schooling. Among high school dropouts, the 2001 White-Black employment gap was 22 points, but it diminished to 16 percentage points for high school graduates, to less than 9 percentage points for those completing one to three years of college, and to less than four percentage points for those obtaining a bachelor's degree. Similar patterns prevail among Hispanics and Whites. Current and future efforts to boost the formal educational attainment of the nation's Black and Hispanic youth, including dropout prevention efforts as well as expanded college enrollment and retention programs, clearly have the potential to contribute to a further reduction in Black-White and

versus an employment rate of nearly 76% for 20-24 year olds. See: U.S. Bureau of Labor Statistics, "Unpublished data from the 2001 monthly CPS household surveys," tabulations by the authors.

Hispanic-White employment differences during the first decade of the twenty-first century.[33] There is a particular need to boost the very low college graduation rates of Black and Hispanic males across the country. They are far less likely to graduate from college than their female counterparts.

How do the employment rates of out-of-school, young adult men compare to those of women? How strongly are the employment rates of both groups associated with their level of schooling? To answer both of these questions, we analyzed the findings of the monthly CPS household surveys for calendar year 2001. During that year, the employment-population ratio of young adult men was just under 76 per cent versus an E/P ratio of 67 per cent for women, a near 9 percentage point gap in favor of men (Table 9). Over the past few decades, however, the size of this gender gap has diminished as young women have increased their degree of attachment to the labor market. For example, in 1989, the employment gap between young men and women was 14.2 percentage points.

Table 9:
Employment/Population Ratios of 16-24 Year Old Out-of-School Youth in the U.S. by Gender and Educational Attainment, 2001 Annual Averages
(in %)

	(A)	(B)	(C)	(D)
Educational Attainment	All	Men	Women	Men-Women
No high school diploma or GED	55.0	62.4	45.6	+16.8
H.S. diploma/GED, no college	73.6	79.0	67.8	+11.2
1-3 years of college, including Associate degrees	81.3	85.0	78.1	+6.9
Bachelor's degree of higher	87.4	87.3	87.7	-0.4
Total	71.5	75.8	67.1	+8.7

Source: 2001 monthly CPS surveys, tabulations by authors.

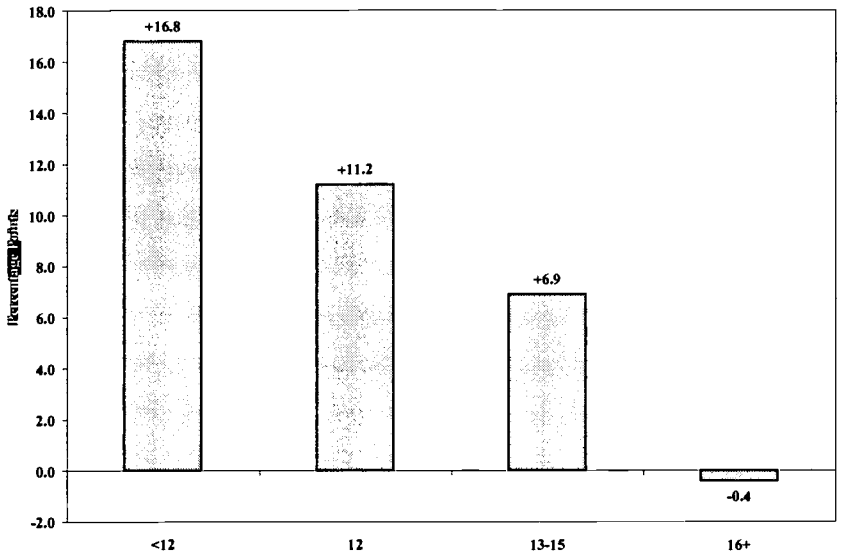
The employment rates of both young adult men and women are positively associated with their formal schooling; however, the strength of this relationship is greater for young adult

[33] Efforts to reduce the large gaps between Black-White achievement test scores also will be needed to improve Black educational outcomes. See: (i) James J. Heckman, "Doing it Right: Job Training and Education," The Public Interest, Spring 1999, pp. 86-107; (ii) Christopher Jencks and Meredith Phillips, (Editors), The Black-White Test Score Gap, The Brookings Institution, Washington, D.C., 1998; (iii) Andrew Sum, Literacy in the Labor Force, National Center for Education Statistics, Washington, D.C., 1999.

women than men. For example, among women, employment rates ranged from only 45 per cent among high school dropouts to a high of nearly 88 per cent among four year college graduates, an absolute difference of 42 percentage points and a relative difference of nearly two to one (Table 9). Among men, employment rates varied from a low of 62 percent among high school dropouts to a high of 87 percent among bachelor degree holders, a gap of 25 percentage points between the top and bottom. As will be noted below, however, foreign immigrants comprise a relatively high share of young male dropouts, and they are very strongly attached to the labor market. Excluding young male immigrants from the dropout totals lowers the employment rate for native born male dropouts closer to 50 per cent.

The size of the employment gaps between men and women vary considerably across the four educational groups, declining sharply with the level of educational attainment (Chart 17). Among high school dropouts, the gender gap is 17 percentage points then it falls to 11 percentage points for high school graduates and to 7 points for those who completed one to three years of post-secondary schooling. Among four year college graduates, the employment rates of women and men were statistically identical, falling between 87 and 88 percent.

Chart 17:
Percentage Point Gaps between the Employment Rates of Out-of-School Young Adult Men and Women by Educational Attainment, U.S.: 2001



The very limited employment rates of these poorly educated young men and women should be viewed as a public policy concern for several reasons. First, the long term earnings outlook for female and male adults lacking a high school diploma/GED is quite bleak. Failure to secure substantive work experience in these young adult years will considerably diminish their future earnings prospects, reducing the economic incentives for them to seek work in the future, thereby reducing the nation's future labor supply. Second, a relatively high share of these young female dropouts who are not working are mothers, including many who are single mothers. Their limited labor market attachment reduces their current earnings and places them and their children at great risk of poverty and economic dependency. Nearly 80 per cent of young single mothers with no high school diploma/GED certificate were poor in calendar year 2001. Their ability to avoid future poverty will be critically dependent on their employment experiences and their future human capital investments, including formal and informal training received on the job. Improving their immediate employment prospects also will likely increase their own attractiveness as marriage partners, thereby improving their future economic prospects. The

current high levels of work experience inequality among young women by years of schooling completed will produce high levels of future earnings inequality.[34]

The substantial differences between the employment rates of out-of-school young adults by educational attainment may reflect large gaps in their labor force participation rates and/or their unemployment rates. To identify the influence of both of these factors on variations in employment rates by years of schooling completed, we estimated annual average civilian labor force participation rates and unemployment rates for out-of-school young adult men and women in each educational group for calendar year 2001 (Table 10). Among men, the biggest gap in labor force participation rates is between high school dropouts and those of each of the other educational subgroups. On average, only 76 per cent of young male dropouts were active in the labor market during calendar year 2001 versus 89 per cent of male high school graduates and 94 per cent of male four year college graduates. Unemployment rates of young males varied substantially by years of schooling completed, ranging from slightly over 18% among young dropouts to only 7% among males with some post-secondary schooling.

Table 10:
Civilian Labor Force Participation Rates and Unemployment Rates of 16-24 Year Old Out-of-School Men and Women in the U.S. by Educational Attainment, 2001 Annual Averages
(in %)

Educational Attainment	(A) CLF Participation Rate	(B) Unemployment Rate	(A) CLF Participation Rate	(B) Unemployment Rate
No high school diploma or GED	76.3	18.3	56.8	19.6
High school diploma/GED no college	89.0	11.2	76.1	10.9
1-3 years of college, including Associate degrees	91.5	7.0	83.2	6.2
Bachelors or higher degree	94.2	6.9	92.3	5.0
Total	86.0	11.9	74.9	10.4

Source: 2001 monthly CPS household surveys, tabulations by authors.

[34] There also are large differences in the annual growth rates of the average real hourly earnings of female workers from ages 18 to 32 by level of educational attainment. See: U.S. Bureau of Labor Statistics, Number of Jobs Held, Labor Market Activity, and Earnings Growth among Younger Baby Boomers...

Among out-of-school women, both labor force participation rates and unemployment rates varied widely by years of schooling completed. Only 58 of every 100 young female dropouts were either working or looking for work during calendar year 2001 versus 76% of high school graduates and 92% of female bachelor degree recipients. The unemployment rate of young female dropouts was nearly 20%, nearly twice as high as that for high school graduates and four times as high as that of young female bachelor degree holders (Table 10). Improvements in the employment rates of young female dropouts will require both a substantial increase in their attachment to the labor force and greater success in finding work when they do enter the labor force. Since the willingness to participate in the labor force is strongly influenced by one's expected market wage, workforce development agencies will need to boost the literacy-numeracy, vocational, and employability skills of these women so that they can command higher market wages. Simultaneously, efforts will have to be made to provide them with the necessary supports, including childcare and transportation services, so that they can more intensively look for work. Multiple service and intervention strategies will likely be needed to boost the future employment rates of these poorly educated young women. The potential social and economic benefits from implementing successful strategies in this area are likely to be quite large provided that the investments are of sufficient magnitude and quality.

The Employment Status of Out-of-School Youth in the Nation's Large Metropolitan Areas and their Central Cities

The preceding analyses have examined the employment experiences of the nation's out-of-school young adult population. To identify the recent success of out-of-school youth in large metropolitan areas in obtaining employment, we analyze the findings of the 2001 CPS surveys for the nation's 50 largest and 10 largest metropolitan areas and for the central cities and suburbs of those areas. The designation of the "50 largest" and "10 largest" metropolitan areas is based on the size of their total resident population in 2000.

In calendar year 2001, slightly over 71 percent of 16-24 year old, out-of-school youth in the nation's 50 largest metropolitan areas were employed. (Table 11). Young adults living in the suburbs of these 50 large metropolitan areas were more likely to be working than their counterparts in the central cities of these areas (74% vs. 66%). Within these 50 large metropolitan areas and in both their central cities and suburbs, the employment rates of young

adults varied markedly by race-ethnic group and by educational attainment subgroup. The employment rates of these young adults varied from a low of 58 percent among Black non-Hispanics to 69 percent among Hispanics to a high of 77 percent among White, non-Hispanics. There was a near 20 percentage point gulf between the employment rates of White and Black youth in these 50 large metropolitan areas. There were even more considerable differences in the employment rates of these out-of-school young adults by educational attainment. Only 55 percent of young high school dropouts were able to obtain any type of job versus 73 percent of young high school graduates obtaining a regular high school diploma, just under 80 percent of those completing one to three years of post-secondary schooling, and 86 percent of those holding a bachelor's or more advanced academic degree. The gap between the employment rates of the nation's best and least well educated young adults was 31 percentage points.

Table 11:
Employment Rates of 16-24 Year Old Out-of-School Youth in the Nation's 50 Largest Metropolitan Areas by Gender, Race and Educational Attainment: 2001 Averages
(2001 Annual Averages)

Group	(A) 50 Largest Metropolitan Areas	(B) Central Cities of 50 Largest Metro Areas	(C) Suburbs of 50 Largest Metro Areas
All	71.1	66.3	74.2
Men	74.9	70.3	77.9
Women	67.1	62.2	70.2
Asian	64.0	61.4	65.6
Black, not Hispanic	58.0	54.1	64.4
Hispanic	69.1	67.5	70.7
White, not Hispanic	77.3	75.4	77.8
High School Dropout	55.1	51.0	58.9
GED Holder	65.7	58.6	70.8
High School Diploma	73.2	68.5	75.6
1-3 Years College	79.6	75.8	81.4
Bachelor's or Higher Degree	86.0	85.9	86.0

Within these 50 large metropolitan areas, youth living in the suburbs were more likely to be employed than nearly all of their counterparts in the central cities by gender, race-ethnic

group, and educational attainment. The size of these employment gaps between young adults in the suburbs and central cities were smaller for Hispanics (3 percentage points) and Whites (2 percentage points) than they were for Blacks (10 percentage points). While young adults in central cities lacking a post-secondary degree were less likely to be working than their suburban counterparts. Bachelor degree holders in the central cities of these 50 large metropolitan areas were just as likely to be employed as their counterparts in the suburbs of these same areas (86% of both groups were employed on average in calendar year 2001).

In recent years, there has been a debate among education and labor market researchers as to the economic value of the GED certificate with critics claiming that the GED is of little to no value while other researchers finding a number of modest, positive economic and educational benefits.[35] Since the late 1990s, the U.S. Census Bureau has been collecting monthly data from respondents as to whether they hold a regular high school diploma or a GED certificate. Those out-of-school young adults lacking any completed years of post-secondary schooling were divided into the following three educational categories: high school dropouts with no GED certificate, those who obtained a GED certificate, and those holding a regular high school diploma. Employment rates were estimated for out-of-school youth in these three educational subgroups in the nation's 50 largest metropolitan areas. These employment rates also were estimated for gender and race-ethnic groups.

Overall, GED holders enjoyed a near 11 percentage point employment rate advantaged over high school dropouts (66% vs. 55%), but they were less likely to be employed than their peers with regular high school diplomas (73%). Similar patterns held true for men and women, with female GED holders being characterized by larger employment rate advantages over their peers with less schooling. In each of the four race-ethnic groups, GED holders were much more likely to be working than high school dropouts lacking such certificates and among Hispanics

[35] For recent critiques of the economic value of the GED certificate,
See: (i) Duncan Chaplin, "Tassels on the Cheap: The GED and the Falling Graduation Rate," Education Next, Fall 2002, pp. 24-29; (ii) Jay P. Greene, High School Graduation Rates in the United States, Center for Civic Education at the Manhattan Institute, New York City, November 2001.
For other findings on mixed impacts of the GED certificate,
See: (i) D. Doesel, N. Alsalam, and T.M. Smith, Educational and Labor Market Performance of GED Recipients, Office of Educational Research and Improvements, U.S. Department of Education, Washington, D.C., 1998; (ii) Kathryn Parker Boudett, Richard J. Murnan and John B. Willett, "Second Change Strategies for Women Who Dropout of High School," Monthly Labor Review, December 2000, pp. 19-31.

and Asians they were modestly more likely to be employed than their peers with regular high school diplomas. Among Blacks and Whites, however, youth holding regular high school diplomas were much more likely to be working than GED holders, with a 14 to 15 percentage point employment gap between these two groups among Black out-of-school youth (63 vs. 48 percent).

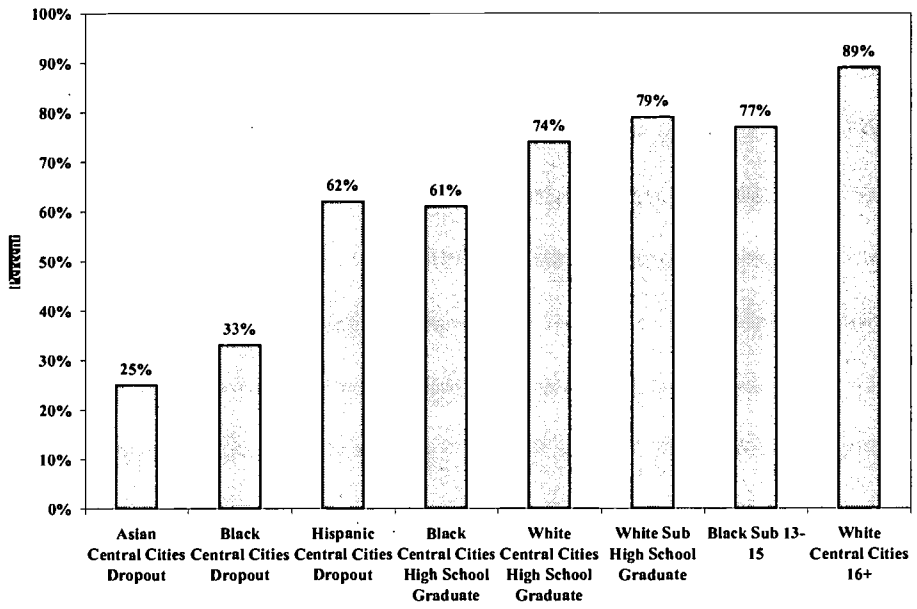
Table 12:
Employment Rates of 16-24 Year Old Out-of-School Youth in the Nation's 50 Largest Metropolitan Areas with No High School Diploma or GED, a GED, or a Regular High School Diploma by Gender and Race-Ethnic Group, Annual Averages, 2001
(in %)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
Educational Group	All	Men	Women	Asian	Black	Hispanic	White
High School Dropout/No GED	55.1	63.3	44.8	34.3	35.9	62.1	58.0
GED, No College	65.7	70.9	57.1	65.8	48.2	76.8	68.9
Regular High School Diploma, No College	73.2	77.9	68.3	62.6	62.7	73.4	77.9

Source: Monthly CPS household surveys, 2001.

The employment rates of out-of-school youth in these 50 large metropolitan areas during calendar year 2001 varied quite widely across combinations of educational attainment, race-ethnicity, and geographic location. Employment rates were in the 25 to 33 percent range among Asian and Black dropouts in central cities, rose to 61 to 74 percent for Black and White high school graduates in these central cities, reached nearly 80 percent among White high school graduates in the suburban segments of these metropolitan areas, and peaked at 89 percent among White bachelor degree recipients residing in the central cities of these large metropolitan areas. The employment rates of those demographic groups at the top of the distribution exceeded those at the bottom by multiples of three to four.

Chart 18:
Employment/Population Ratios of Selected Demographic and Geographic Subgroups of Out-of-School 16-24 Year Olds in the Nation's 50 Largest Metropolitan Areas, 2001 Annual Averages
(in %)



Employment Conditions Among Out-of-School Youth in the Nation's 10 Largest Metropolitan Areas

A number of recent media stories on youth labor market conditions have focused on teens and young adults living in the central cities or suburbs of the nation's largest metropolitan areas, including Chicago, Los Angeles, and the D.C. suburbs.[36] To provide insights on comparative employment conditions among out-of-school youth in the nation's large metropolitan areas, we estimated employment rates for out-of-school youth living in the nation's 10 most populous metropolitan areas in 2001. The names of these 10 metropolitan areas are displayed in alphabetical order in Table 14.

[36] See: (i) David Cho, "Working on Nothing but a Tan," The Washington Post, Sunday, June 16, 2002, p. C1; (ii) Marla Dickerson, "Latino Job Seekers Find Born in USA Not Enough," Los Angeles Times, April 12, 2002; (iii) Andrew Sum, Garth Mangum, and Robert Taggart, The Young, the Restless, and the Jobless...

Table 14:
Alphabetical Listing of the Nation's 10 Largest Primary Metropolitan Statistical Areas (PMSA's)

Boston	Los Angeles – Long Beach
Chicago	New York City
Dallas	Philadelphia
Detroit	Riverside – San Bernardino
Houston	Washington, D.C.

On average, during calendar year 2001, nearly 69 percent of out-of-school youth in these ten metropolitan areas were employed (Table 15). This employment rate was three percentage points below the national average and four percentage points below the employment rate of youth living in the other 50 largest metropolitan areas. Within these 10 largest metropolitan areas, out-of-school youth living in the central cities were far less successful in finding employment than their peers in the suburbs (64 vs. 72 percent).

Table 15:
Employment Rates of 16-24 Year Old Out-of-School Youth in the Nation's 10 Largest Metropolitan Areas by Gender, Age, and Educational Attainment, 2001 Annual Averages (in%)

Group	(A) All 10 Metropolitan Areas	(B) Central Cities	(C) Suburbs
All	68.7	64.3	72.5
Men	73.3	68.4	77.4
Women	64.0	60.3	67.4
Asian	62.5	61.0	62.8
Black, not Hispanic	56.3	53.1	64.0
Hispanic	67.5	66.0	69.1
White, not Hispanic	75.9	74.3	76.7
High School Dropout	53.0	49.4	57.1
GED	60.8	46.9	69.8
High School Graduate	70.6	66.7	73.7
Some College	77.8	74.0	80.4
Bachelor's or Higher Degree	85.1	84.5	85.7

Source: Monthly CPS household surveys, 2001.

Similar to the findings for the nation as a whole and to the 50 largest metropolitan areas, the employment rates of out-of-school youth in these 10 large metropolitan areas varied quite considerably across race-ethnic groups and educational attainment subgroups. Only 56 percent of Black out-of-school youth were able to obtain any type of job versus 68 per cent of Hispanics and 76 percent of Whites. The Black-White employment gap as well as the Black-Hispanic employment gap was much larger in the central cities than in the suburbs of these 10 largest metropolitan areas. Again, employment rates of out-of-school youth rose strongly and steadily with their years of schooling. Only 53 of every 100 high school dropouts lacking a GED certificate were employed versus 71 percent of high school graduates and 85 percent of bachelor degree holders. The links between the schooling backgrounds of young adults and their employment rates were quite strong in both the central cities and suburban communities in these 10 large metropolitan areas.[37] For all educational subgroups, except bachelor degree holders, those young adults living in the suburbs were more likely to be employed than their central city peers, with the size of these employment rate differences ranging from 6 to 23 percentage points. Among bachelor degree holders, however, the employment rate of central city youth was within one percentage point of that of their suburban counterparts. High school dropouts in these large central cities faced bleak employment prospects. Many of the members of this group, excluding foreign immigrants, comprise a great urban underclass that is far removed from the day-to-day operations of career labor markets in the post-industrial economies of their areas.

[37] The one exception to this pattern was among GED recipients in the central cities of these 10 largest metropolitan areas. The employment rate of GED recipients in the central cities was actually slightly lower than that of high school dropouts, a finding that stands in sharp contracts to that for their peers in the suburbs of these same 10 large metropolitan areas and their counterparts in the central cities of the other 50 largest metropolitan areas. In the suburbs of these 10 largest metro areas GED holders enjoyed a 13 percentage point employment advantage over high school dropouts.

Table 16:
Employment Rates of 16-24 Year Old Out-of-School Youth in the
Central Cities of the Nation's 10 Largest Metropolitan Areas, 2001 Annual Averages
(in %)

Central City	Employment Rate
Riverside – San Bernardino	52.0
Detroit	56.1
New York City	57.9
Philadelphia	63.2
Chicago	65.4
Houston	65.6
Los Angeles/Long Beach	69.0
Dallas	71.5
Boston	72.5
Washington, D.C.	74.3
All	64.3

By combining the findings on employment rates for out-of-school youth in the 10 largest metropolitan areas, we hide a number of important variations in the employment rates of youth across these ten areas, especially in their central cities. While 64 of every 100 out-of-school in these 10 large central cities were working during calendar year 2001, the employment rates of these youth ranged from lows of 52 to 58 percent in Riverside, Detroit, and New York City to highs of 72 to 74 percent in Boston, Dallas, and Washington, D.C. [38] Detroit, Los Angeles, New York City, and Philadelphia also fare quite poorly on all measures of employment success for high school students, teenagers, and young high school dropouts. For example, at the time of the 2000 Census, the employment rats of teens (16-19) in Philadelphia, Los Angeles, Washington, D.C., and New York City ranked 42nd, 43rd, 49th, and 50th among the nation's 50 largest cities. Success in putting teens to work pays off in later years. Metropolitan areas and states that employ high fractions of their teenagers are considerably more successful in obtaining high employment rates among 20-24 year olds when these teens enter their young adult years. There are important macro labor market consequences from early teenage employment.

[38] Within D.C., the employment rates of teens and high school students are among the lowest in the entire country. The high employment rates of bachelor degree holders who live in D.C. raise the E/P rate for out-of-school youth.

Trends in the Full-Time Employment Rates of the Nation's Out-of-School Youth

National and local labor market research on youth labor market experiences consistently has revealed a number of important economic advantages from full-time employment, including higher hourly wages, considerable higher weekly wages, a greater likelihood of receiving key employee benefits, including health insurance, pension coverage, increased eligibility for tuition reimbursement by the employer, a greater likelihood of being trained on the job both formally and informally by the employer, and a more substantial economic payoff in terms of higher future wages from current full-time employment.[39] Given the importance of these economic advantages from full-time employment, we analyzed CPS labor force data identifying the weekly hours worked by employed youth and the full-time nature of the jobs they held. These data were used to estimate the fraction of the nation's out-of-school youth who were employed full-time – 35 or more hours per week – at various points in time over the 1989 to 2001 period.

The ability of employed out-of-school young adults to obtain full-time jobs tends to be cyclically sensitive, rising during periods of strong job growth and low unemployment and declining during recessionary periods and times of slow job growth, such as the current jobless recovery in the U.S. During 1989, a cyclical peak year, slightly over 82% of all employed 16-24 year old out-of-school youth held full-time jobs (Table 17). The share of employed youth securing full-time positions, however, declined below 80% in 1991 and fell further to 78% in 1995 despite improved job opportunities over the 1992-95 period. During the last half of the 1990s, the share of employed out-of-school youth with full time jobs improved steadily, rising 3 full percentage points to 81% in 2000. Although the latter half of the 1990s was characterized by strengthening national labor market conditions, the percentage of out-of-school 16-24 year old youth with full-time jobs never matched the share that was reached in 1989. In 2001, the annual

[39] For earlier research findings in this area, see: (i) Thomas L. Hungerford, "Full-Time and Part-Time Work Among Young Women," Paper Presented to the Annual Conference of the Association for Public Policy Analysis and Management, Pittsburgh, November 1996; (ii) Neeta Fogg, An Economic Analysis of the Determinants and the Labor Market Consequences of Teenage Childbearing in the United States, 1979 to 1991, Ph.D. Dissertation, Department of Economics, Northeastern University, Boston, 1996; (iii) Andrew Sum, Neeta Fogg, and Neal Fogg, Out-of-School, Out-of-Luck? Demographic and Structural Change and the Labor Market Prospects of At Risk Youth, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 1997. (iv) Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Prospects of At-Risk Youth, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 2000.

average share of out-of-school young adults with full-time jobs declined by one full percentage point to 80% and has fallen even further in 2002.

Table 17:
Per Cent of Employed 16-24 year Old Out-of-School Youth Working Full-Time, U.S.: Annual Averages, Selected Years, 1989-2001

Year	Percent Working Full-Time
1989	82.4
1991	79.7
1993	78.8
1995	78.1
1998	79.9
1999	80.5
2000	81.1
2001	80.2

Source: U.S. Bureau of Labor Statistics, Employment and Earnings, January 1990, 1992, 1994, 1996, and 1999, tabulations by the authors; U.S. Bureau of Labor Statistics, unpublished data from the 1999, 2000, and 2001 CPS surveys, tabulations by the authors.

The share of employed out-of-school youth who hold full-time jobs varies quite considerably across race-ethnic and educational attainment groups. Somewhat surprisingly, employed Hispanic youth, whose numbers include many immigrants, were the most likely to report full-time employment in 2001 (84%) followed by White (80%) and Black youth (78%) (Chart 19). During 2001, the fraction of employed out-of-school youth with full time jobs ranged from a low of 70% for those lacking a high school diploma or a GED certificate to a high of just under 91% for employed four-year college graduates.

Chart 19:
Per Cent of Employed, Out-of-School 16-24 Year Olds Who Were Working Full-Time by Race/Ethnic Group: U.S. 2001

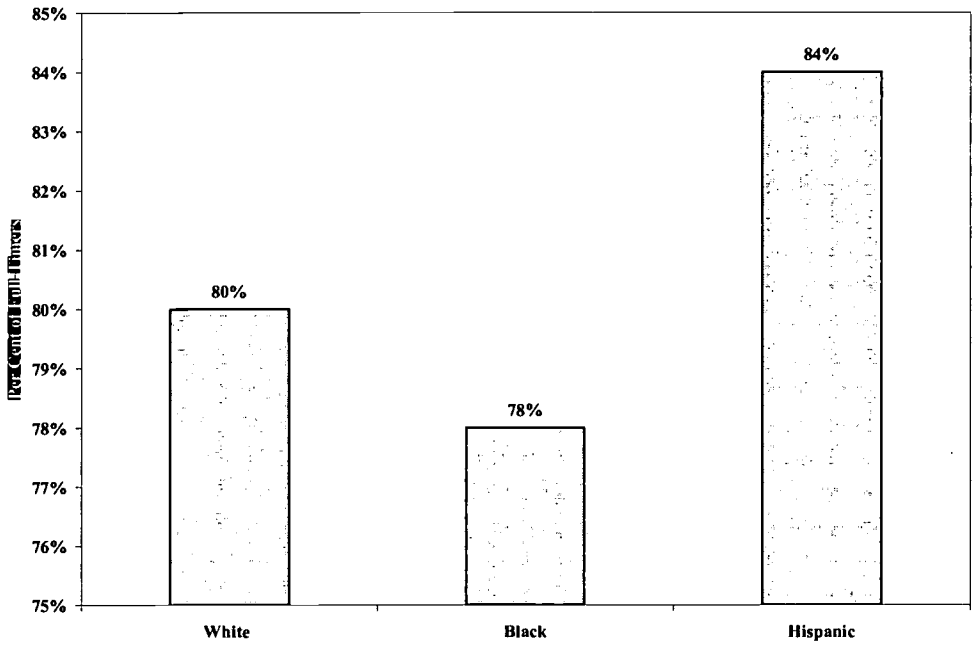
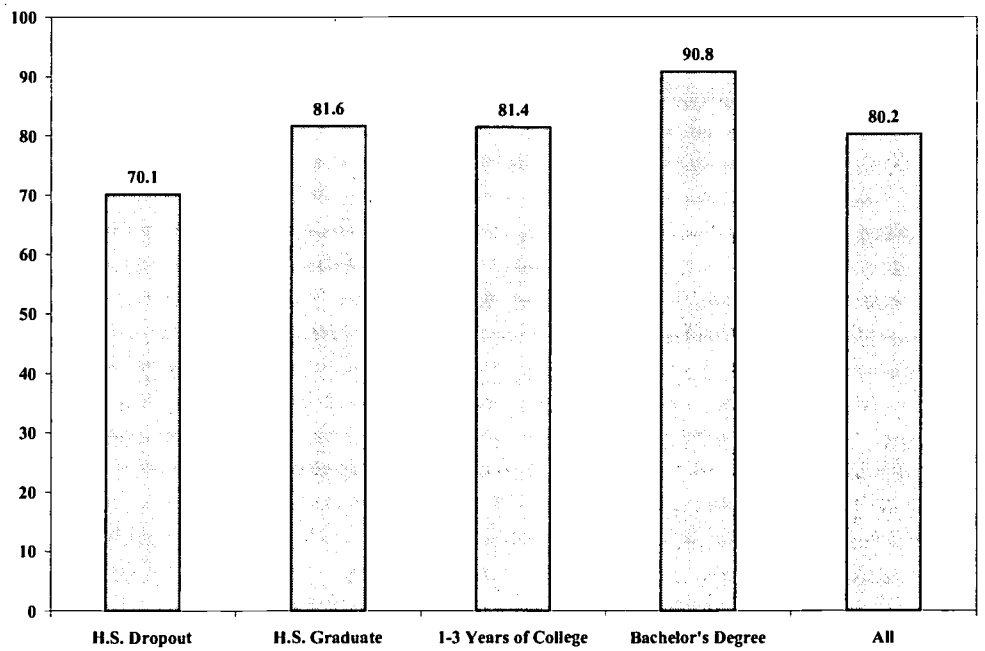
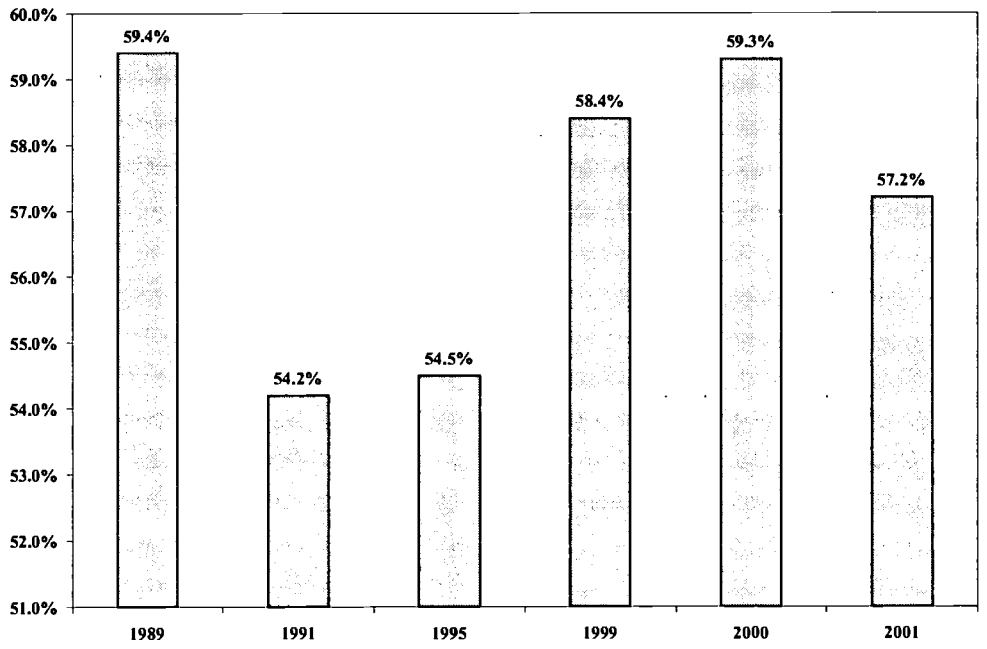


Chart 20:
Percent of Employed, Out-of-School 16-24 Year Olds Who Were Working Full-Time by Educational Attainment, U.S.: 2001



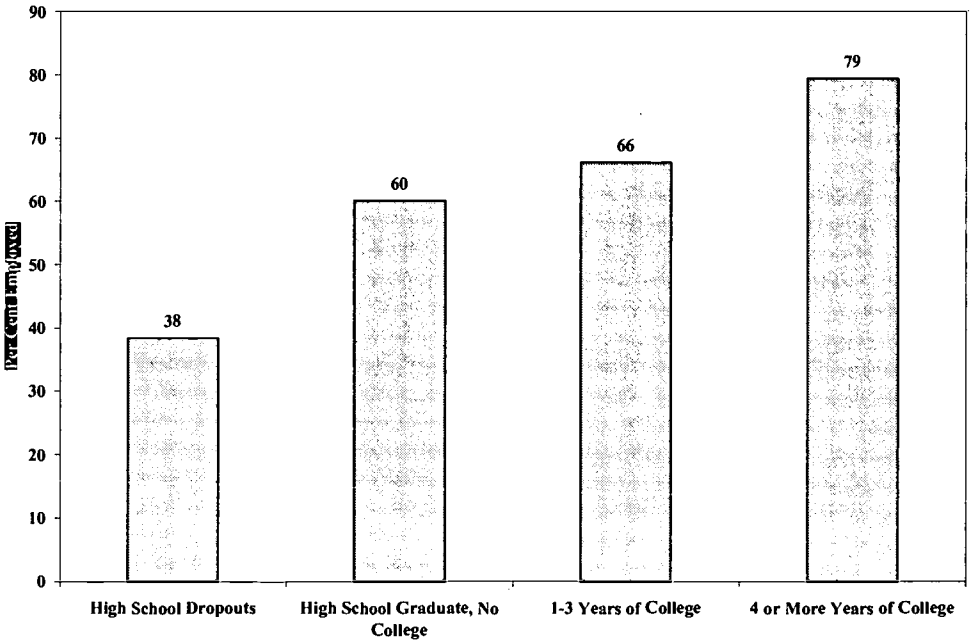
The earlier findings on the employment rates of out-of-school youth can be combined with those on their full-time job shares to estimate the fraction of out-of-school youth holding full-time jobs during a given year, i.e., their full-time employment to population ratios. These full-time E/P ratios of out-of-school youth also are quite cyclically sensitive (Chart 21). During 1989, the peak year of the last business cycle, just under 60% of all 16-24 year old out-of-school youth held a full-time job. The full-time employment/population ratios for these youth declined considerably from 60% to 54% between 1989 and 1991, reflecting a combination of declining employment opportunities among out-of-school youth and greater difficulties in securing full-time jobs when they were hired. The full-time employment/population ratio failed to rise to any significant degree between 1991 and 1995. However, as national labor market conditions steadily improved between 1995 and 2000, the full-time E/P ratio for out-of-school youth rose to 59.3%, basically matching the full-time employment rate reached at the peak of the last business cycle in 1989. In 2001, however, the full-time employment rate of the nation's 16-24 year old out-of-school youth declined by more than 2 percentage points to 57.2% and has declined even further in 2002.

Chart 21:
Full-Time Employment/Population Ratios of Non-Enrolled 16-24 Year Old Youth in the U.S., Selected Years 1989-2001



The full-time employment/population ratios of out-of-school youth vary quite considerably across educational attainment groups. As a consequence of their below average employment rates and their more limited success in gaining access to full-time jobs when they do become employed, only 38% of those out-of-school youth lacking a high school diploma or a GED certificate in 2001 were employed on a full-time basis. Full-time employment to population ratios of out-of-school youth tend to rise consistently with the number of years of formal schooling completed, rising to 60% for high school graduates, to 66% for those completing one to three years of college, and to a high of 79% for those possessing a bachelor's or higher academic degree (Chart 22).[40]

Chart 22:
Full-Time Employment to Population Ratios of Out-of-School 16-24 Year Old Youth, by Educational Attainment Group, U.S.: 2001
(Numbers in Percent)

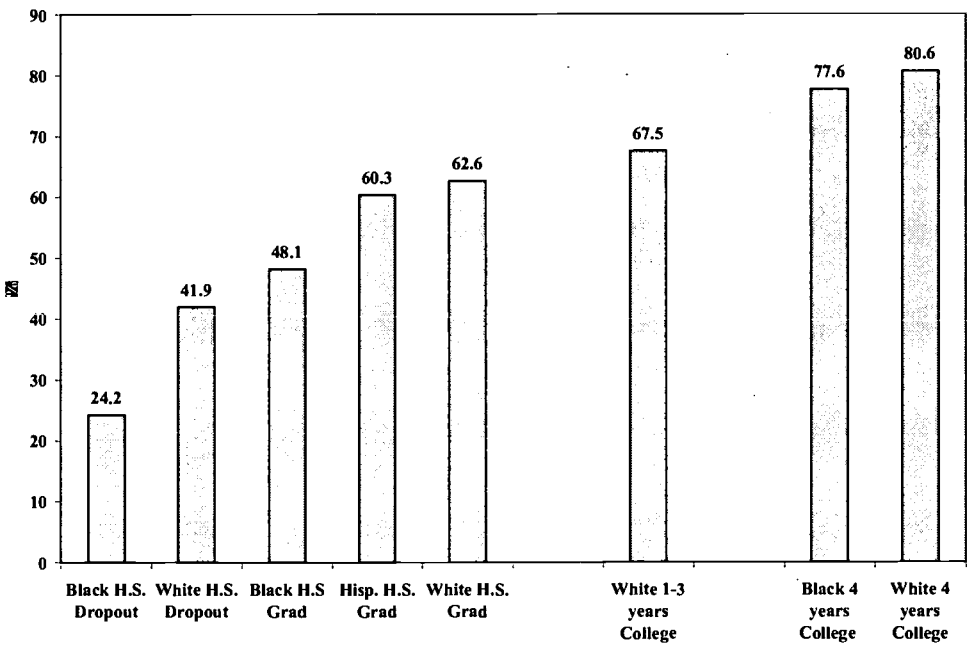


To illustrate the impacts that race, ethnicity, and educational attainment jointly have on the full-time employment rates of 16-24 year old out-of-school youth, we analyzed monthly CPS data for the 2001 calendar year. The findings of this analysis revealed considerable diversity in

[40] As noted in our discussion of employment rates, part of the full-time employment advantages of bachelor degree recipients reflect their higher average ages in comparison to young dropouts, nearly a third of whom are under age 20. Full-time employment rates of youth rise as they move from their early teens to their mid-20s.

the full-time employment rates of out-of school 16-24 year olds by their schooling status and race-ethnicity. Out-of school 16-24 year old youth who lacked a high school diploma had the lowest full-time employment rates, but Black dropouts fared the worst by far (Chart 23). For example, in 2001, the full-time employment rates of Black and White high school dropouts were 24% and 42%, respectively. Completion of high school improved the full-time employment rates of all race-ethnic groups; however, considerable variations still existed by race-ethnicity for this schooling attainment group. In 2001, the full-time employment/population ratio of out-of-school, Black 16-24 year old high school graduates was only 48% while the full-time employment rates of Hispanic and White high school graduates were 60% and 63%, respectively. Four-year college graduates had the highest full-time employment population ratios, with nearly 78 percent of Black and 81 percent of White college graduates being employed full-time.

Chart 23:
Full-Time Employment / Population Ratios of Selected Subgroups of 16-24 Year Old Out of School Youth, U.S.: 2001



The considerably lower overall employment rates of young school dropouts and their lower access to full-time jobs reduces the cumulative amount of work experience that they

acquire by the time they reach age 30. Previous analyses by the U.S. Bureau of Labor Statistics based on the National Longitudinal Survey of Youth data on the work experiences of respondents from ages 18 to 30 have revealed that high school dropouts obtained only 6.8 mean years of work experience between their 18th and 30th birthdays, versus 8.7 years for those with 12 years of schooling, and 9.0 years for those with 13 or more years of schooling.[41] The size of the gaps in cumulative years of work experience across educational subgroups are particularly large for women. Since cumulative work experience is a form of investment in human capital with very favorable rates of economic payoff in the early work years, the more limited work experience of less educated young adults depresses their real earnings potential as they move through their twenties, placing relatively high shares of them at risk of being poor and dependent.[42] The limited annual earnings of these less educated young men reduces their attractiveness as marriage partners and lowers their marriage rates. Many of them will, however, become fathers and will not live with their children, condemning many of them to a childhood of poverty and dependency. High fractions of these male dropouts also will become involved with the nation's criminal justice system, further reducing their schooling and work experience, thereby exacerbating their long-term employment and earnings problems.

The Employment Rates and Full-Time Employment Rates of Out-of-School Youth by Family Income Position

Nationally and locally, the employment rates of teens and of high school students tend to be strongly correlated with their families' incomes.[43] The higher the family income, the greater the likelihood that a teen or a high school student will be working. To identify the links between the employment status of out-of-school youth and their family income position, we classified all

[41] These estimated years of cumulative work experience are based simply on weeks of employment, ignoring differences in hours worked per week, which also tend to favor the more well educated. See: U.S. Department of Labor, Bureau of Labor Statistics, Work and Family: Turning Thirty-Job Mobility and Labor Market Attachment, Report 862, December 1993.

[42] Findings of the NLSY surveys for employed young men and women have revealed that real (inflation adjusted) hourly earnings rose by 7.4 per cent per year between ages 18 and 22, by 5.5 per cent between ages 23 and 27, and only 2.6 per cent per year between ages 28 and 32. See: U.S. Department of Labor, Bureau of Labor Statistics, Number of Jobs, Labor Market Experience, and Earnings Growth: Results from a Longitudinal Survey, Washington, D.C., June 1998.

[43] The strong links between the income status of high school students' families and their employment status held throughout the 1990s, as well as in recent years, See: (i) Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Prospects of Out-of-School Young Adults, Chapter 8; (ii) Andrew Sum, Nathan Pond, Mykhaylo Trub'skyy, et.al., The Employment Experiences of the

out-of-school youth into one of the following four income groups based on the size of their family's combined money income and the federal government's poverty thresholds for families of their given size and age composition:[44]

- Family income less than the poverty line
- Family income greater than the poverty line but less than twice the poverty line
- Family income between 2.00 and 2.99 times the poverty line
- Family income three or more times the poverty line

Findings in Table 18 reveal that the likelihood of out-of-school youth working in March 2002 varied quite widely by their family's income position. Overall, 70 percent of out-of-school youth were employed during this month; however, the employment rate of these youth ranged from a low of 47 percent for those living in poor families, to 68 percent for those residing in families with incomes between one and two times the poverty line, to a high of nearly 81 percent for those living in families with incomes three or more times the poverty line.

Table 18:
Employment Rates of 16-24 Year Old Out-of-School Youth by Educational Attainment and Family Income Status, U.S.: March 2002
(in %)

Family Income Status	(A) <12 Years	(B) H.S. Diploma/GED	(C) 1 – 3 Years College	(D) Bachelor's Degree	(E) All Schooling Groups
Less than poverty line	34.6	51.5	64.4	88.2	47.0
1.00 – 1.99* poverty line	59.7	69.0	76.0	86.4	68.3
2.00 – 2.99* poverty line	60.8	74.4	76.2	89.6	72.5
3.00 or more * poverty line	65.7	80.3	82.6	90.7	80.6
All	52.6	70.9	78.0	89.7	69.5

Source: March 2000 CPS surveys, tabulations by Center for Labor Market Studies.

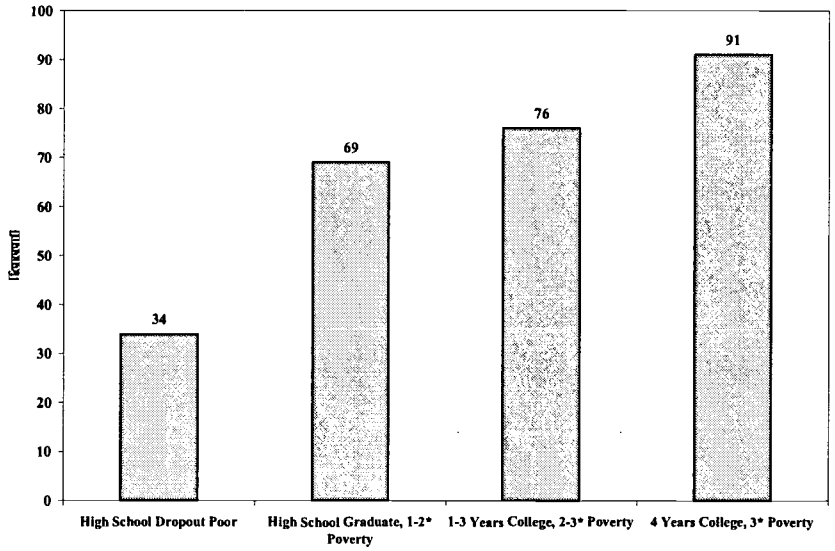
There were strong links between the employment rates of out-of-school youth in three of the educational subgroups and their family's income. The one exception to this pattern was four year college graduates whose employment rates exhibited very little relationship to their family

Nation's and Central Cities' High School Students: The Case for A Renewed Jobs Initiative for the Nation's Teens, Report Prepared for the Alternative Schools Network, Chicago, October 2002.

[44] Those youth living on their own or with others to whom they were not related are treated as a family of one in determining their poverty threshold.

incomes. Among high school dropouts, employment rates ranged from a low of only 35 percent among poor youth to nearly 66 percent among dropout youth living in families with incomes three or more times the poverty line. (Table 18). Among high school graduates, these employment rates ranged from a low of 51% among poor youth to a high of 80% among youth in families with incomes at least three times the poverty line. Taking into account both the educational attainment of these out-of-school youth and their family's income, the range in their employment rates during March 2002 was extraordinarily wide, varying from 34 percent for poor high school dropouts to 91 percent for four year college graduates with family incomes three or more times the poverty line. (Chart 24).

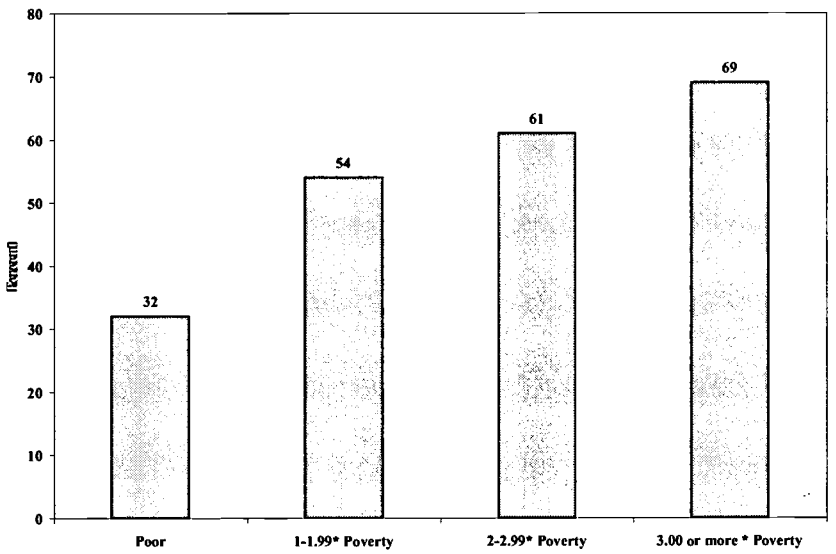
Chart 24:
Employment Rates of Selected Subgroups of Out-of-School 16-24 Year Olds by Educational Attainment and Family Income, March 2002
(in %)



The ability of employed out-of-school youth to obtain full-time jobs also varied across educational attainment subgroups and family income groups. Better educated youth and employed youth living in more affluent families were more likely to be working full-time when they did work. For example, only 75 percent of employed young dropouts were working full-time versus 83 percent of high school graduates and 91 percent of four year college graduates. Taking into account both their higher employment rates and their greater success in finding full-time jobs, those youth from more affluent families were considerably more likely to be employed full-time than their less affluent counterparts. The full-time employment/population ratios of the

nation's 16-21 year old out-of-school youth ranged from a low of 32 percent among poor youth to 69 percent among those youth in families with incomes at least three times the poverty line. (Chart 25). Slightly under 1 of 4 poor dropouts were working full-time in March 2002 versus more than 4 of 5 college graduates in families with incomes three or more times the poverty line. A combination of schooling and class strongly sort America's out-of-school youth by their chances for full-time jobs in the recent national labor market environment.

Chart 25:
Full-Time Employment/Population Ratios of 16-24 Year Old, Out-of-School Youth by Family Income Status, March 2002
(in %)



To determine whether the national links between the employment rates of out-of-school youth and family income held true across key geographic areas, we estimated the employment rates of out-of-school young adults in each of the four family income groups for central cities, the suburban portions of metropolitan areas, and non-metropolitan areas in March 2002. In each of these three areas, the employment rates of young adults rose steadily as family income increased with the size of these increases typically being larger in the central cities and non-metropolitan areas than in the suburbs (Table 19). For example, in the nation's central cities, only 44% of 16-24 year old youth in poor families were employed. The employment rate of the out-of-school youth in these central cities rose to 67% if their family's income was between one

and two times the poverty line, and to 80 percent if family income was three or more times the poverty line.

Table 19:
Employment Rates of 16-24 Year Old Out-of-School Youth by Family Income Status and Geographic Location, U.S.: March 2002
(in %)

Geographic Location	(A) Less than Poverty Line	(B) 1.00-1.99* Poverty Line	(C) 2.00-2.99* Poverty Line	(D) 3.00 or More* Poverty Line
Central Cities	44.1	66.8	75.9	80.1
Suburbs	51.5	71.6	72.8	80.1
Non-Metro Areas	47.0	67.8	70.3	82.3

Source: March 2002 CPS public use files, tabulations by Center for Labor Market Studies.

In each of these three geographic areas, out-of-school youth from poor families were the least likely to be employed while those from the most affluent families (incomes three or more times the poverty line) were the most likely to be employed. The employment rates of the out-of-school youth in the more affluent families were 60 to 80 percent higher than those of their poor counterparts in each of these three areas. Poor youth were the least likely to be gaining the work experience so critically needed to boost their long-term wages and employability.

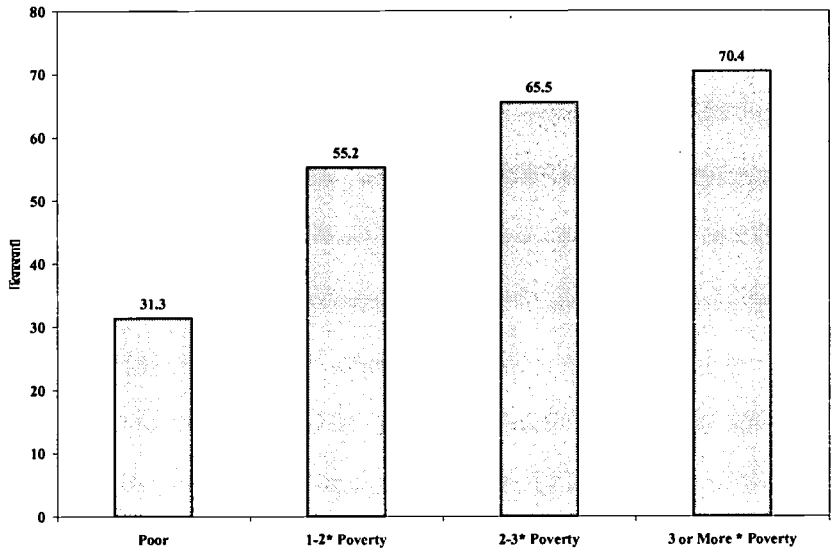
Full-time employment/population ratios of out-of-school youth also vary markedly by family income group in each major geographic area (Table 20). Within each of these three geographic areas, only one-third or less of poor out-of-school youth were holding full-time jobs in March 2002. The share of these youth working full-time rose steadily as their relative family income position improved, with youth in families with incomes three or more times the poverty line being twice as likely as their peers from poor families to be holding full-time jobs.

Table 20:
Full-time Employment/Population Ratios of Out-of-School Youth in
Central Cities, Suburbs, and Metropolitan Areas by Family Income Status, March 2002

Geographic Areas	(A) Poor	(B) 1 – 1.99* poverty	(C) 2.00 – 2.99* poverty	(D) 3 or more* poverty
Central cities	31.3	55.2	65.5	70.4
Suburbs	34.4	56.7	61.0	67.4
Non-metropolitan areas	31.9	52.3	56.7	69.6

In the nation's central cities, full-time employment rates ranged from a low of 31 percent among poor out-of-school youth, to 55 percent among youth from families with incomes between one and two times the poverty line, to a high of 70 percent for youth with family incomes three or more times the poverty line. (Chart 25). Very similar patterns prevailed among out-of-school youth in the nation's suburbs and in non-metropolitan areas.

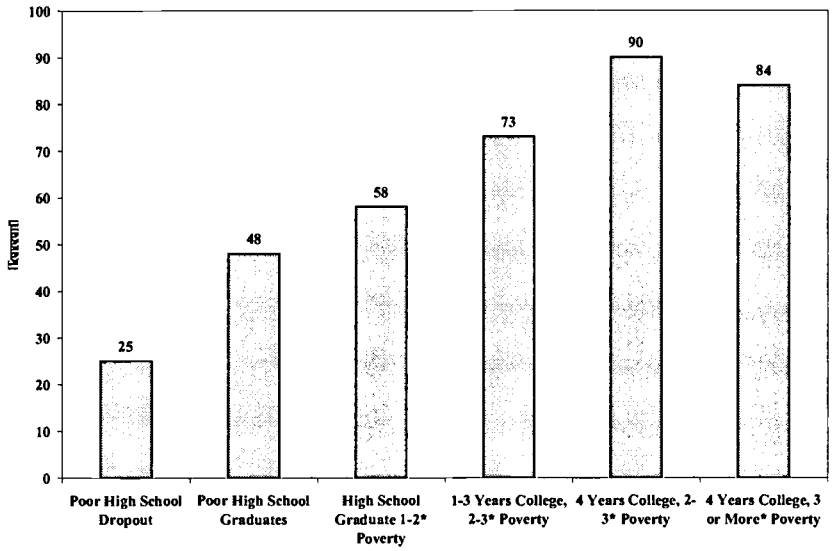
Chart 25:
Full-Time Employment/Population Ratios of Out-of-School Youth in
Central Cities by Family Income Status, March 2002



Prospects of out-of-school youth working full-time also are strongly associated with their levels of formal schooling. The schooling backgrounds of out-of-school youth interact with their family income background to produce extraordinarily large differences in full-time employment rates within large differences in full-time employment rates within all three geographic areas.

Within the nation's central cities, the full-time employment/population ratios of out-of-school youth varied from a low of 25 percent among poor, high school dropouts to 48 percent for poor high school graduates to 73 percent for those with one to three years of post-secondary schooling and living in families with incomes between two and three times the poverty line to highs of 84 to 90 percent among bachelor degree holders living families with incomes tow or more times the poverty line. (Chart 26).

Chart 26:
Full-Time Employment/Population Ratios of Selected Educational and Income Groups of Out-of-School Youth in Central Cities of the U.S.: March 2002
(in %)



The latter two subgroups of young college graduates were 3.5 times as likely as poor, high school dropouts to be working full-time in March 2002. The best educated from middle income and higher income families were acquiring full-time work experience and on-the-job training at rates far above those of their less educated, low income peers in central cities. These large differences in human capital investments will produce substantially divergent wage and earnings trajectories for these youth as they move through their early to mid twenties and create an extraordinarily high degree of earnings inequality over their working lives.[45]

[45] For a recent longitudinal analysis of hourly wage increase of the nation's young adults form ages 18 to 36 by years of schooling complete, See: U.S. Department of Labor, Bureau of Labor Statistics, Number of Jobs Held, Labor Market Activity, and Earnings Growth Among Younger Baby Boomers: Results from More than Two Decades of A Longitudinal Survey, Washington, D.C., August 27, 2002.

The Employment Experiences of the Nation's Native and Foreign Born Out-of-School Young Adults

During the past decade, young immigrants have come to account for a growing share of the nation's out-of-school young adult population.[46] As noted earlier, one of every six out-of-school young adults in the U.S. was foreign born in March 2002, and more than one of four out-of-school youth in the nation's central cities were immigrants. Given the growing demographic role of immigrants, knowledge of the labor force behavior and employment experiences of these young adult immigrants is indispensable to future workforce development policymaking and program planning. To identify the employment experiences of young adult immigrants in the U.S. in recent years, we analyzed all twelve months of CPS household survey data for calendar year 2001. Our analysis is restricted to those 16-24 year olds who were not enrolled in school at the time of each survey. Both high school and college students are excluded from the analysis.[47] Employment rates were estimated for all young out-of-school immigrants and for gender and educational subgroups. Findings on the employment rates of immigrants are compared to those of the native-born in the same age, gender, and educational subgroups.

On an average month during calendar year 2001, nearly 69 of every 100 young adult immigrants were employed. (Table 21). The employment rate for immigrants was 3.4 percentage points below that of all native-born young adults (72%) during that year. When the employment rates are broken out by gender, however, there are found to be substantial differences between employment outcomes for immigrant men and women. Nearly 81 of every 100 immigrant men were working on average during calendar year 2001 while only 53 of every 100 immigrant women were employed, a difference of nearly 28 percentage points. (Table 1). These out-of-school immigrant males were more likely to be working than their native-born counterparts (81 vs. 75 percent) despite the fact that they were less well educated than native-born men. Immigrant women, on the other hand, were much less likely to be working than their native-born peers (53 vs. 69 percent), an employment gap of 16 percentage points.

[46] For a more detailed overview of the labor force behavior and the employment and earnings experiences of native born and foreign born young adults in the U.S. in recent years, See: Andrew Sum and Mykhaylo Trub'skyy with Sheila Palma, The Nation's Young Adult Immigrant Population: A Profile of Their Demographic and Educational Characteristics and Recent Labor Market Experiences....

[47] When high school and college students are not attending school, such as during the summer months, they are classified as out-of-school youth and assigned to an educational category based on the number of years of schooling they had completed by the time of the survey.

Table 21:
Employment Rates of 16-24 Year Old Out-of-School Youth by Nativity Status and Gender, U.S.: 2001
(Annual Averages, in Percent)

Gender	(A) Native-Born	(B) Foreign Born	(B) Native – Foreign Born
All	72.0	68.6	+3.4
Male	75.0	80.8	-5.8
Female	69.0	53.1	+15.9
Men – Women	+6.0	+27.7	

Source: 2001 Monthly CPS public use files, tabulations by authors.

How did the employment rates of immigrant and native-born men and women vary by years of schooling completed? To answer this question, we classified each out-of-school young adult into one of the following four educational subgroups that were used in our preceding analyses for all young adults:

- No high school diploma or GED certificate
- High school diploma/GED, but no completed years of post-secondary schooling
- 1-3 years of college, including associate degree holders
- Bachelor's or higher degree

Among native-born males, employment rates rose steadily and strongly with their level of educational attainment, increasing from 56 percent among high school dropouts to a high of 88 percent among four-year college graduates. (Table 22). The links between educational attainment and employment rates among immigrant men were much weaker. While immigrant dropouts were slightly less likely to work than their peers with high school diplomas, the gaps between the employment rates of these two groups was quite small, only 2.4 percentage points. There was no gap whatsoever between the employment rates of immigrant dropouts and four-year college graduates. In contrast, the gap between the employment rates of native-born dropouts and four-year college graduates was 32 percentage points.

Table 22:
Employment Rates of 16-24 Year Old, Out-of-School Males by Nativity Status and Educational Attainment, 2001
(Annual Averages in Percent)

Educational Attainment	(A) Native-Born	(B) Foreign Born	(B) Native – Foreign Born
No diploma or GED certificate	56.3	80.5	-24.2
High school diploma/GED, no college	78.5	82.9	-4.4
1-3 years college	85.8	76.7	+9.1
Bachelor's or higher degree	88.2	80.0	+8.2
All	75.0	80.8	-5.8

Source: 2001 Monthly CPS public use files, tabulations by authors.

Comparisons of the employment rates of male immigrant and native-born young adults in each educational attainment subgroup reveals a number of striking findings. Immigrant male dropouts were considerably more likely than their native-born counterparts to be employed (80 vs. 56 percent). (Table 22). As revealed in an earlier research paper by the authors, the higher rates of employment among immigrant male dropouts were not attributable to their accepting lower wages than native-born workers. They received the same weekly wages as employed native-born dropouts, but were hired at much higher rates, implying that they are a preferred source of labor to many employers.[48] Immigrant males with high school diplomas enjoyed a 4 to 5 percentage point employment advantage over their native-born peers while immigrants with some college and a bachelor's degree were less likely to be working than their native-born peers. The latter findings indicate that the nation is losing out on the employment of some of its best-educated male immigrants. The barriers to higher employment among these well educated immigrants, including a lack of citizenship and visa problems, need to be more carefully examined.

The employment rates of both immigrant and native-born women rise steadily and generally strongly with their level of educational attainment (Table 23). Among young immigrant women, only 41 percent of those lacking a high school diploma were employed in a typical month during calendar year 2001 versus 58 percent of high school graduates and 66

[48] See: Andrew Sum and Mykhaylo Trub'skyy with Sheila Palma, The Nation's Young Adult Immigrant Population...

percent of four-year college graduates. In each of these four educational attainment groups, however, immigrant women were less likely to work than their native-born counterparts, with the size of these gaps being largest for the more well-educated immigrant women; i.e., those with at least some post-secondary schooling. Greater knowledge of the sources of the lower employment rates of college educated immigrant women is needed. This waste of well-educated female immigrant labor should be reduced. About one-fourth of the overall lower employment rate of immigrant women was attributable to their more limited educational attainment in comparison to native-born women.[49] Strengthening the formal educational attainment of immigrant women would help boost their overall employment rate and narrow the existing large gap between the native-born and immigrant employment rates for women; however, other human capital and support strategies will likely be needed to close the remaining large gaps in their employment rates, including literacy, training, English-speaking instruction, citizenship instruction, and removal of cultural barriers.

Table 23:
Employment Rates of 16-24 Year Old, Out-of-School Females by Nativity Status and Educational Attainment, 2001
(Annual Averages, in Percent)

Educational Attainment	(A) Native Born	(B) Foreign Born	(B) Native – Foreign Born
No diploma or GED certificate	46.8	41.0	+5.8
High school diploma/GED, no college	68.8	58.2	+10.6
1-3 years college	79.1	65.8	+13.3
Bachelor's or higher degree	90.2	66.4	+23.8
All	69.0	53.1	+15.9

Source: 2001 Monthly CPS public use files, tabulations by authors.

[49] If the educational distribution of immigrant women were the same as that for the native-born, the aggregate employment rate of these foreign born women in 2001 would have been 4.2 percentage points higher. This accounts for only one fourth of the employment gap between these two groups.

The Deterioration in the Employment Situation of the Nation's Out-of-School Youth During the Economic Recession of 2001 and the Ensuing Jobless Recovery

As note earlier, the employment rates of the nation's teens and young adults have historically been quite cyclically sensitive, falling at above average rates when the national economy enters into a recession and rising at above averages rates during periods of strong job growth. To track changes in the labor market situation for the nation's out-of-school youth during the recession of 2001 and the largely jobless recover of 2002, we estimated employment rates for all 16-24 year old out-of-school youth and for selected demographic subgroups between the March-May periods of 2000 and 2002.[50]

For all out-of-school 16-24 year olds, the employment rate declined from 75.1 percent in March-May 2000 to 71.2% in March-May 2002, a decline of nearly four full percentage points. (Table 24). For the nation's older adults (25+), the overall employment rate declined only 1.4 percentage points over the same two year period. Employment opportunities for the nation's out-of-school young adults, thus, declined at a rate approximately three times as high as that of older adults. Among high school students, the decline in employment was even more considerable. The employment/population ratio for the nation's high school students (16-24 years old) fell by 6.2 percentage points over the same two year period, a decline more than four times as high as that of the nation's older adults.[51]

[50] For an earlier overview of the economic impacts of the 2001 national recession and the ensuing jobless recovery on the employment rates of all teens and young adults, See: Andrew Sum, Garth Mangum, and Robert Taggart, The Young, the Restless and the Jobless: The Case for A National Jobs Stimulus Program Targeted on America's Young Adults, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, June 2002; (ii) Andrew Sum, Nathan Pond, Mykhaylo Trub'skyy, et.al.., The Employment Experiences of the Nation's and Central Cities' High School Students: The Case for a Renewed Job Initiative for the Nation's Teens, Report Prepared by the Center for Labor Market Studies, Northeastern University, Prepared for Alternative Schools Network, Chicago, Illinois, October 2002.

[51] See: Andrew Sum, Nathan Pond, and Mykhaylo Trub'skyy, The Employment Experiences of the Nation's Central Cities' High School Students, "Table 2," p. 9.

Table 24:
Changes in the Employment/Population Ratios of 16-24 Year Old, Out-of-School Youth and Adults 25 and Older Between March-May 2000 and March-May 2002, U.S.

Age Group	(A) March – May 2000	(B) March – May 2002	(C) Change
16 – 24, Out of School	75.1	71.2	-3.9
▫ 16 – 19	63.6	57.2	-6.5
▫ 20 – 24	78.2	74.9	-3.3
25+	65.7	64.3	-1.4

Source: U.S. Bureau of Labor Statistics, Employment and Earnings, April-June 2000 to April-June 2002.

The drop in employment among the nation's out-of-school youth over the past two years was particularly steep among teens, males, Whites and Hispanics, and those youth lacking any post-secondary schooling. The E/P ratio of out-of-school teens declined by 6.5 percentage points, a relative drop of more than 10 percent, while the employment rate of out-of-school 20-24 year olds fell by 3.3 percentage points (Table 24). The older the age group, the lower the decline in employment, with some older groups (those 55-64 years old) actually increasing their employment rate over this two-year period. A recent Business Week article highlighted the greater employment difficulties faced by workers under 45, but largely neglected the far steeper declines in employment among teens and young adults.[52]

While both male and female out-of-school youth experienced above average rates of decline in their employment rates over this two year period, the magnitude of the decline was considerably greater among young men, whose employment rate fell by 5.5 percentage points versus only a 2.4 percentage point decline among women (Table 25). The steeper job declines in national manufacturing industries and in high technology services have been a greater tool on job opportunities for men than for women. While young Blacks, Hispanics, and Whites each experienced above average rates of job declined, the E/P ratios of Hispanics (-4.4 percentage points) and Whites (-4.1 percentage points) dropped to a considerably higher degree than those of Black youth (-2.6 percentage points). Out-of-school Black youth, however, remained considerably less likely to be employed than their Hispanic and White counterparts during the

March-May period of 2000, with only 57 of every 100 Black youth holding any type of job. (Table 25).

Table 25:
Changes in the Employment/Population Ratios of 16-24 Year Old, Out-of-School Youth by Gender and Race-Ethnic Origin between March-May 2000 and March-May 2002, U.S.
(Numbers in %, not Seasonally Adjusted)

Gender/Race-Ethnic Group	(A) March – May 2000	(B) March – May 2002	(C) Change
All	75.1	71.2	-3.9
Men	81.4	75.9	-5.5
Women	68.8	66.4	-2.4
Black[(1)]	60.0	57.4	-2.6
Hispanic	71.9	67.5	-4.4
White[(1)]	78.4	74.3	-4.1

Note: [(1)]Data for Blacks and Whites include Hispanics.
Source: U.S. Bureau of Labor Statistics, Employment and Earnings, April-June 2000 to April-June 2002.

The size of the declines in the employment rates of out-of-school youth over the past two years varied considerably by their level of schooling. All out-of-school youth with less than a bachelor's degree experienced steep drops in their employment rates, ranging from a 4.0 percentage point decline among high school graduates with no post-secondary schooling to a drop of 5.5 percentage points among young high school dropouts. (Table 26). In contrast, the employment rate of young four year college graduates was modestly higher in the spring of 2002 than it was in the spring of 2000. Nearly 91 of every 100 young bachelor degree recipients were employed during the March-May period of 2002 versus only 73 percent of high school graduates and 53 percent of out-of-school adults lacking a high school diploma or a GED certificate. While these young college graduates were able to maintain their high employment rates during the labor market downturn, more of them were finding jobs outside of the traditional college labor market as retail trade workers, clerical workers, service workers, and blue-collar workers, often bumping out their less educated counterparts. Contrary to most print and TV media

[52] See: Peter Coy, Michelle Conlin, and Emily Thornton, "A Lost Generation?," Business Week, November 4,

coverage of the changing labor market situation among the nation's young adults, college graduates were faring the best in securing some type of employment at least through

Table 26:
Employment/Population Ratios of 16-24 Year Old, Out-of-School Youth by Educational Attainment, U.S.: March-May 2000 to March-May 2002
(Not Seasonally Adjusted)
(in %)

Educational Attainment	(A) March – May 2000	(B) March – May 2002	(C) Change
No high school diploma or GED	58.5	53.0	-5.5
High school diploma/GED, no college	77.0	73.0	-4.0
1-3 years of college	85.0	80.6	-4.4
Bachelor's degree or higher	89.1	90.7	+1.6
Total	75.1	71.2	-3.9

Source: U.S. Bureau of Labor Statistics, Employment and Earnings, April-June 2000 and April-June 2002.

Joblessness Rates Among the Nation's Out-of-School Young Adult Population

The preceding sections of this monograph have analyzed the employment rates and full-time employment rates of out-of-school young adults throughout the entire nation, large metropolitan areas, and their central cities and suburbs. Another measure of the labor market conditions among these young adults focuses on their joblessness rates, i.e., the percent of a given group of young adults that is not employed at a point in time. The joblessness rate is not the same as the official unemployment rate. The jobless include the unemployed and those young adults who are not actively looking for work. In many economically depressed and high poverty neighborhoods, many out-of-school youth do not bother to look or work and hence are not captured by the official unemployment statistics. The denominator for the joblessness rate consists of the number of youth in the civilian non-institutional population.[53]

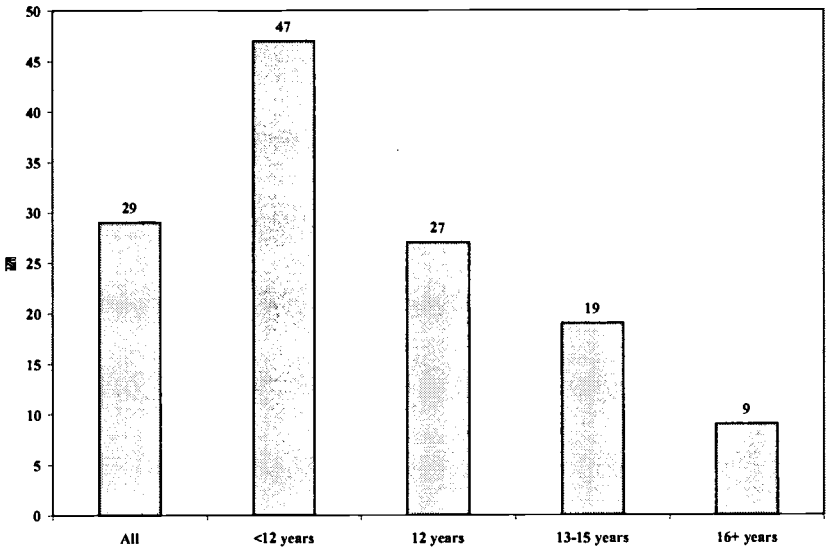
To identify the recent incidence of joblessness problems among the nation's out-of-school young adult population, we analyzed the finding of the CPS household surveys for the

2002, pp. 44-46.

[53] The denominator of the formula for the unemployment rate is the civilian labor force. Persons not active in the labor market are excluded from both the numerator and the denominator for the unemployment rate.

months of March, April, and May in 2002. On average, during this three month period, there were 4.622 million jobless out-of-school youth, representing 29 percent of all out-of-school young adults. (Chart 27). The incidence of joblessness problems among out-of-school youth varied considerably across educational subgroups. Nearly one-half of all young high school dropouts were jobless as were 27 percent of high school graduates with no post-secondary schooling; however, only 9 percent of young college graduates were jobless in early 2002.

Chart 27:
Joblessness Rates Among the Nation's Out-of-School 16-24 Year Old Population by Educational Attainment, March – May 2002
(in %)



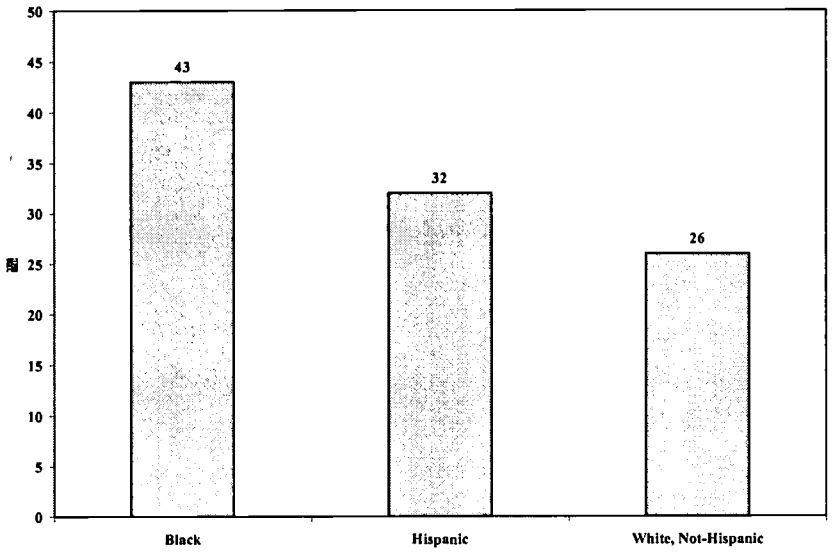
Given the high incidence of joblessness problems among young adults with no post-secondary schooling and the large numbers of out-of-school youth who lack any post-secondary schooling, this group accounted for the overwhelming share of the nation's out-of-school, jobless population. Nearly 42 percent of the jobless out-of-school in the spring of this year lacked a high school diploma/GED certificate and another 40 percent had completed only 12 years of schooling. Thus, nearly 82 percent of jobless, out-of-school youth were members of the nation's Forgotten Half.

Table 27:
The Educational Attainment of Jobless, Out-of-School 16-24 Year Old Youth in the U.S., March – May 2002
(Monthly Averages in 1000s, not seasonally adjusted)

Educational Attainment	(A) Number (in 1000s)	(B) Percent of Total
High school dropout	1,930	41.8
High school graduate, no college	1,834	39.7
1 – 3 years of college	715	15.5
Bachelor's or higher degree	143	3.1
Total	4,622	100.0

Joblessness rates among out-of-school youth also differed widely across the three major race-ethnic groups. Joblessness was most severe among Black, non-Hispanic youth (43%) followed by Hispanics (32%) and White, non-Hispanics (26%). While a portion of the joblessness gaps among race-ethnic groups was attributable to differences in their educational attainment, there were a number of large differences in joblessness rates between Blacks and Whites even within some educational categories, especially among high school dropouts. While 39 to 42 percent of the nation's Hispanic and White dropouts were jobless, two-thirds of Black dropouts were jobless in the spring of 2002. These extraordinarily high joblessness rates among high school dropouts reduce the cumulative work experience that these poorly educated adults will bring with them into their mid to late 20s and the market wages that they will be able to command, reducing their future annual earnings and employability.

Chart 28:
Joblessness Rates Among the Nation's 16-24 Year Old
Out-of-School Youth by Race-Ethnic Group, March-May 2002
(in %)



The high rates of joblessness among young male dropouts and high school graduates are not directly attributable to the growing presence of young immigrants in the out-of-school population.[54] The joblessness rate among out-of-school young males during calendar year 2001 was higher among native born males than among foreign born men with no post-secondary schooling. (Table 28). Among high school dropouts, 44 percent of native born males were jobless versus only 19 percent of young immigrant males, and among high school graduates 22 percent of native born males were jobless versus only 17 percent of their immigrant counterparts. Educational attainment was a strong predictor of joblessness rates among native born males but not among immigrant males.

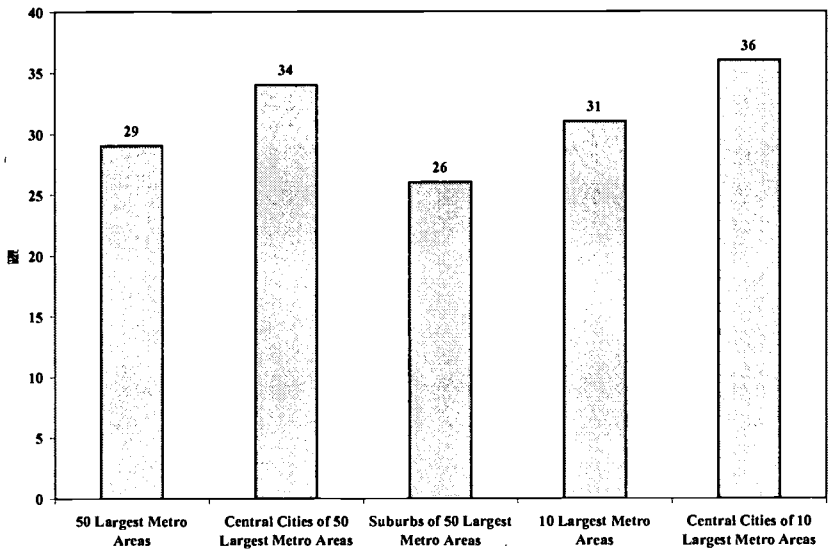
[54] The increase in the supply of high school dropouts brought about by immigration does lower the real wages of all dropouts and likely reduces the willingness of native born dropouts to supply their labor to the market. Lower market wages also increase the attractiveness of criminal activities.

Table 28:
Joblessness Rates Among Out-of-School, 16-24 Year Old Men by Nativity Status and Educational Attainment, U.S.: 2001
(Annual Averages in %)

Educational Attainment (in Years)	(A) All	(B) Native Born	(C) Foreign Born
<12	38	44	19
12	21	22	17
13 – 15	15	14	23
Bachelor's Degree	13	12	20
Masters or Higher Degree	19	18	24
All	24	25	19

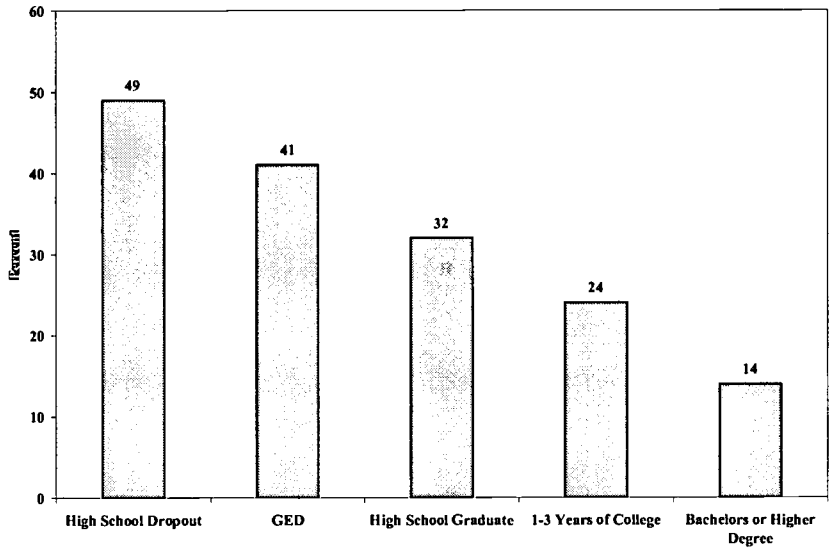
Joblessness rates of out-of-school youth also varied both across and within major metropolitan areas and central cities. In 2001, the joblessness rate among out-of-school youth residing in the nation's 50 largest metropolitan areas was 29 percent, essentially identical to that for the nation as a whole. (Chart 29). Within these 50 large metropolitan areas, joblessness rates were sharply higher in the central cities (34%) than they were in the suburbs (26%) of these same areas. In the central cities of the nation's 10 largest metropolitan areas, 36 percent of out-of-school youth were jobless in 2001.

Chart 29:
Joblessness Rates Among Out-of-School 16-24 Year Olds in Selected Metropolitan Areas, Central Cities, and Suburbs, 2001
(Annual Averages in Percent)



Within the central cities of these 50 large metropolitan areas, joblessness rates of out-of-school youth were strongly linked to their educational attainment. Nearly one-half of all out-of-school youth lacking a high school diploma or a GED certificate were jobless as were 41 percent of those with only a GED certificate (Chart 30). Slightly under one-third of the young high school graduates in these large central cities were jobless while only 14 percent of those holding a bachelor's or higher degree were jobless. Despite the very low rate of joblessness among young college graduates in both the nation and its large metropolitan areas, most of the national media stories on the labor market plight of young adults over the past year were focused on young college graduates. The nation's Forgotten Half largely remained "forgotten" by most of the nation's media and by national and state economic policymakers.

Chart 30:
Joblessness Rates Among Out-of-School 16-24 Year Olds in the Central Cities of the 50 Largest Metro Areas, by Educational Attainment, U.S.: 2001 Annual Averages
(in %)



Joblessness rates of out-of-school youth during the past calendar year also varied quite considerably across the 10 largest metropolitan areas and their central cities. (Table 29). These joblessness rates ranged from a low of 22 percent in the Boston metropolitan area to highs of 35 percent in Detroit and Riverside/San Bernardino, California and 40 percent in the New York metropolitan area. Within the central cities of these 10 metropolitan areas, joblessness rates of out-of-school young adults varied from lows of 27 to 28 percent in Boston and Washington, D.C. to highs of 42 percent in New York City, 44 percent in Detroit, and 48 percent in Riverside/San Bernardino. The massive levels of youth joblessness in these latter three central cities should be viewed as a major economic and social catastrophe, with serious adverse consequences for the future economic well-being of these communities and their families. Despite the severity of these labor market problems, the local and national media in these cities, including the *New York Times, Business Week,* and the *Wall Street Journal*, were completely silent on the plight of their young adult residents, especially those with no post-secondary schooling.

Table 29:
Joblessness Rates Among 16-24 Year Old Out-of-School Youth in the 10 Largest Metropolitan Areas and Their Central Cities, U.S.: 2001, Annual Averages
(in %)

Metro Area	(A) Entire Metro Area	(B Central City
Boston	22	28
Chicago	28	35
Dallas	29	29
Detroit	35	44
Houston	33	35
Los Angeles	32	32
New York	40	42
Philadelphia	28	37
Riverside/San Bernardino	35	48
Washington, D.C.	28	27

Source: 2001 Monthly CPS surveys, tabulations by authors.

The Weekly and Annual Earnings of Young Adult Workers

All of the preceding analyses of the labor market situation among the nation's out-of-school young adults were focused on employment outcomes. In this section, we will briefly examine the average weekly and annual earnings of employed young adult men and women, with separate breakouts of key measures for educational attainment subgroups.[55] Our measures of average weekly and annual earnings are based on median values. The median weekly earnings is that weekly earnings figure which divides the earnings distribution into two equal parts. One half of the workers will earn less than the median and one half will earn more than the median. Unlike mean earnings, the value of the median earnings is not affected by extreme values at either tail of the distribution.

A summary of trends in the median real weekly earnings of full-time employed wage and salary workers under the age of 25 over the 1989-2000 period is displayed in Table One. At the

[55] For a more comprehensive analysis of longer-term trends in the weekly and annual earnings of key demographic and socioeconomic subgroups of young adult workers in the U.S.,
See: Andrew M. Sum, Nathan Pond, Mykhaylo Trub'skyy, et.al., Trends in the Level and Distribution of the Weekly and Annual Earnings of Young Adult Workers...

end of the labor market boom of the 1980s, the median weekly earnings (in constant 2001 dollars) of young full-time male workers were $387. During the recessionary years of the early 1990s, these median earnings of young male workers declined steadily, falling to $371 in 1991 and declining further over the next five years, bottoming out at $346 during 1996, an 11% drop from its 1989 value. Over the following four years, however, the strong growth in wage and salary employment combined with rising labor productivity helped boost the real weekly earnings of young adult male workers by $41 back to their value of $387 at the end of the1980s. For the 1990s decade as a whole, the median real weekly earnings of young adult men were unchanged.[56]

Table 30:
Trends in the Median Real Weekly Earnings of Full-Time Employed(1) 16-24 Year Olds by Gender, U.S.: Selected Years 1989 to 2000
(in Constant 2001 Dollars)

Year	(A) Men	(B) Women
1989	$387	$351
1991	371	346
1996	346	320
2000	387	352
Absolute Change, 1989-2000	0	$1
Percent Change, 1989-2000	0%	.3%

Note: The weekly earnings estimates apply to wage and salary workers only, including both private sector and government workers. The self-employed are excluded from the calculations of the median.
Source: U.S. Bureau of Labor Statistics, Employment and Earnings, selected years.

Very similar weekly earnings trends prevailed among young adult women. Between 1989 and 1996, the median weekly earnings of full-time employed young adult women declined from $351 to $320, a drop of $31 or 9 percent. Over the next four years, the median weekly earnings of these young women rose steadily and strongly, reaching $352 in 2000. As was the case for young men, the median real weekly earnings of young women were statistically unchanged over the 1990s decade, with strong gains in the latter half of the decade simply

[56] The national CPI-U price index of the U.S. Bureau of Labor Statistics was used to convert the nominal weekly earnings for each calendar year into their 2001 constant dollar equivalents.

offsetting losses during the first half. The real weekly earnings of young adult men and women in 2000 remained well below their historical peaks in 1973.[57]

To assess the influence of educational attainment on the weekly earnings of out-of-school young adult workers, we analyzed the findings of the twelve monthly CPS surveys for calendar year 2001. Our estimates are based on the weekly earnings of all employed wage and salary workers, including the part-time as well as the full-time employed.

The median weekly earnings of all young, out-of-school adults during calendar year 2001 were $375 (Table 31). These weekly earnings increased consistently and strongly with the educational attainment of these young adult men and women, rising from a low of $300 for high school dropouts to a high of $576 for those young adults holding a bachelor's or more advanced academic degree. The median weekly earnings of high school graduates ($360) were 20 percent higher than those of dropouts while employed bachelor degree holders received median weekly earnings that were 60 percent higher than those of high school graduates. Very similar weekly earnings patterns by educational attainment prevailed among men and women. Overall, the median weekly earnings of employed young adult women were equal to approximately 90 percent of those of men, with college educated women faring the best, obtaining median weekly earnings equal to $554 or 92 percent of those of men in the same educational category. Employed young female bachelor degree holders received weekly earnings that were twice as high as those of their female counterparts lacking a high school diploma.[58]

[57] For example among young men, the median weekly wage in 2000 was 24% below the peak weekly earnings of $511 in calendar year 1973.

[58] The weekly earnings advantages of young college educated women reflect a combination of slightly more hours of work per week and much higher hourly earnings.

Table 31:
Median Weekly Earnings of 16-24 Year Old Out-of-School Wage and Salary Workers in the U.S., by Gender and Educational Attainment, 2001 Annual Averages

	(A)	(B)	(C)
Educational Attainment	All	Men	Women
All	375	400	356
<12 or 12, no diploma	300	320	270
High school diploma or GED	360	400	330
13-15 years	400	420	360
Bachelor's degree or higher	576	600	554

Source: 2001 monthly CPS public use files, tabulations by authors.

Estimates of the 2001 median annual earnings of employed out-of-school young adult men and women by schooling category are presented in Table 32.[59] The median annual earnings of these employed young adult men were slightly over $15,000, but they varied considerably by educational attainment, ranging from a low of $12,000 for men lacking a regular high school diploma/GED certificate to a high of $24,500 for young men with a bachelor's degree. Male high school graduates earned 25 percent more than their peers lacking a diploma, and male bachelor degree holders outearned high school graduates by 63 percent. (Table 32).

[59] The school enrollment status of these youth was that at the time of the March 2002 CPS survey which is used to collect the annual income and earnings data for the prior calendar year.

Table 32:
Median Annual Earnings of Employed 16-24 Year Old Out-of-School Youth in the U.S., by Gender and Educational Attainment, 2001

Gender/Educational Attainment	(A) Median Earnings	(B) Earnings Relative to High School Graduates
Men		
▫ Less than 12 years or 12 years but no diploma/GED	12,000	80
▫ High School Diploma, GED, no college	15,000	100
▫ 13-15 years	18,000	120
▫ 16 years	24,500	163
▫ Total	15,080	
Women		
▫ Less than 12 years or 12 years but no diploma/GED	7,800	66
▫ High School Diploma, GED, no college	11,800	100
▫ 13-15 years	15,000	127
▫ 16 years	20,000	170
▫ Total	12,100	

Source: March 2002 CPS public use files, tabulations by authors.

The median annual earnings of employed young adult women during calendar year 2001 were only $12,100, but they varied even more dramatically by educational attainment than those of men. Young female high school dropouts had median annual earnings of only $7,800 which were one-third less than those of high school graduates and only 40 percent as high as those of employed bachelor degree holders. The findings on the annual earnings of employed young adult women reveal quite starkly the difficulties that young single mothers with limited formal schooling would have faced in avoiding poverty problems in recent years.

Poverty Problems Among Out-of-School Youth

As a consequence of the limited full-time employment rates and earnings of many out-of-school youth, especially those who have formed their own households, they tend to face a relatively high incidence of poverty and near poverty problems.[60] During calendar year 2001, slightly more than one of five out-of-school young adults were living in poor families, and nearly

[60] For earlier reviews of the poverty problems among young adults and young families, See: (i) Andrew Sum, Clifford Johnson, and Neal Fogg, "Young Workers, Young Families, and Child Poverty," in Of Heart and Mind...;

one of four were poor or near poor (Table 33). Poverty rates of these out-of-school youth varied quite widely by gender, race-ethnic origin, and educational attainment. Young women faced a poverty rate nearly twice as high as that of men (26 vs. 15 percent), reflecting the severe income inadequacy problems among young families headed by women. Poverty rates also varied considerably across race-ethnic groups, ranging from lows of 14% among Asians and 16% among White, non-Hispanics to a high of 33% among Blacks. The educational attainment of these out-of-school youth also had a powerful influence on their risk of being poor. The higher the level of schooling, the lower the likelihood of being poor. Thirty-four percent of those youth lacking a high school diploma or a GED certificate were poor versus 19% of those with a regular high school diploma/GED and only 7 percent of those with a bachelor's or higher degree. Those young adults with bachelor degrees were only one-fifth as likely to be poor as their counterparts who failed to graduate from high school.

Table 33:
Poverty/Near Poverty Status of Out-of-School and Out-of-Work 16-24 Year Olds in the U.S., 2001
(in %)

	All Out-of-School		**Out-of-School and Out-of-Work**	
	(A)	(B)	(A)	(B)
Group	Poor	Poor or Near Poor[1]	Poor	Poor or Near Poor
All	20.5	24.0	34.6	38.4
Men	14.8	18.8	25.8	31.3
Women	26.4	29.5	41.7	44.0
Asian	13.6	16.3	22.1	23.8
Black, not Hispanic	32.6	38.2	46.3	52.3
Hispanic	25.6	31.0	41.0	47.1
White, not Hispanic	15.7	18.0	27.7	29.6
<12 years	34.0	38.8	46.3	51.4
12 years or GED	19.3	23.1	31.9	35.1
13 – 15 years	12.1	14.2	19.2	20.9
16 or more years	7.2	9.1	8.0	12.0

Source: March 2002 CPS public use files, tabulations by authors.
Notes: The near poor are those who live in families with incomes above the poverty line but less than 125% of the poverty line.

(ii) Andrew Sum, Neeta Fogg, and Garth Mangum, "Poverty Problems Among Young Families and Their Children," in Confronting the Youth Demographic Challenge, pp. 67-80.

When the analysis is confined to the 5.13 million young adults who were both out-of-school and out-of-work, the incidence of poverty and near poverty problems rises considerably. Nearly 35 percent of these out-of-school, out-of-work youth were poor and over 38 percent were poor or near poor. Similar to the findings for all out-of-school young adults, the incidence of poverty problems was highest among women, Blacks, and Hispanics, and high school dropouts. Each of these four demographic groups faced poverty rates between 41 and 46 percent in 2001, and 50 percent or more of them had incomes below 125 percent of the poverty line.

The nation's youngest families have experienced very high absolute and relative rates of poverty since the early 1980s. (Table 34). Each year, over the past two decades, over 21 percent of the nation's families with a householder under 25 years of age have been poor, with poverty rates rising above 30 percent in the mid to late 1990s before declining back to 25 percent during the economic boom years at the very end of the decade. During calendar year 2001, 26 percent of the nation's youngest families were poor versus a poverty rate of only 9 percent for all families in the nation. Over the past eight years, these young families have faced poverty rates three times as high as those of all families. Our youngest families are by far the most poverty prone group of families in the nation, and their relative poverty position has deteriorated dramatically since 1973. Yet, the severity of their economic plight has received little attention from the nation's economic policymakers, either political party, or the media.

Table 34:
Poverty Status of All Families and of Young Families (Householder Under 25), 1973 – 2001
(in %)

Year	(A) All Families	(B) Young Families	(C) Young/All
1973	8.8	12.3	1.40
1986	10.9	21.6	1.98
1987	10.7	21.8	2.04
1989	10.3	21.4	2.08
1994	10.0	34.7	3.15
1998	10.0	31.5	2.99
1999	9.3	29.3	3.15
2000	8.6	25.0	2.91
2001	9.2	26.4	2.87

Data Source: U.S. Census Bureau, Current Population Reports, Series P-60.

A separate poverty analysis was conducted for those young families whose head was no longer enrolled in school.[61] Thirty percent of these young families were poor in 2001. The incidence of poverty problems was extraordinarily high among female headed families (47%), among those families headed by a person lacking a high school diploma (50 percent) and among young families with one or more own children in the home (46%). The high incidence of poverty among these young families with children was substantially influenced by the high share of young families with children that consist of single parent families. In recent years, nearly 80 percent of all births in the nation to teenaged mothers have been out-of-wedlock as have 50 percent of all births to 20-24 year old women.[62] Those women who remain single mothers face substantial risks of long-term poverty, and the consequences of long-term poverty for children are quite severe. National research has revealed the existence of considerable cognitive, health, nutrition, and psychological deficits for children raised in poverty for long periods of time.[63] The fate of the nation's next generation of young adults is being placed in considerable jeopardy by these extremely high poverty rates among children in these young families.

[61] The school enrollment status of these family householders was based on their situation at the time of the March 2002 CPS survey.

[62] These estimates are based on the Vital Statistics program of the U.S. Department of Health and Human Services with tabulations by CLMS staff.

[63] See: (i) Jeanne Brooks-Gunn and Greg J. Duncan (Editors), The Consequences of Growing Up Poor, Russell Sage Foundation, New York, 1998; (ii) Arloc Sherman, Wasting America's Future, Beacon Press, Boston, 1994; (iii) Susan Mayer, What Money Can't Buy, Family Income and Children's Life Chances, Harvard University Press, Cambridge, 1997.

Table 35:
Family Poverty Rates of Families Headed by 16-24 Year Old, Out-of-School Youth by Type of Family, Educational Attainment of Householder, and Presence of Children in the Home, U.S.: 2001
(in %)

Type of Family	Poverty Rate
All	29.8
Married couple family	14.2
Male head, no female spouse	18.4
Female head, no male spouse	46.8
<12 years/no diploma or GED	49.6
High school diploma/GED	30.6
1 – 3 years college	17.7
Bachelor's or higher degree	9.8
One or more own children in home	45.6
No children in home	16.7

Source: March 2002 CPS public use files, tabulations by authors.

The Dependence of Out-of-School, Out-of-Work Young Adults on Cash and In-Kind Benefits

Given the high rates of joblessness and income inadequacy problems among the nation's out-of-school and out-of-work young adults, one might expect that a relatively high fraction of them would be dependent on cash and in-kind public assistance benefits to support themselves and/or their families. There are, however, several factors that will limit their dependence on such income sources. First, the vast majority of unemployed young adults are not eligible for unemployment insurance benefits, and many of these out-of-school young adults do not have any children and are, thus, not eligible for TANF benefits. Second, many of these out-of-school, out-of-work young adults, especially men, live at home with their parents or other relatives and, thus, will only receive food stamps or rental assistance if their families are income eligible for such assistance.

We have analyzed the findings of the March 2002 CPS public use files to identify the share of the nation's out-of-school, out-of-work young adult population that either personally

received one of the following four cash and in-kind benefits or were members of a household receiving food stamps or rental subsidies:[64]

- Unemployment insurance benefits
- Temporary Assistance to Needy Families, General Assistance
- SSI disability benefits
- Medicaid health insurance benefits

During calendar year 2001, one of seven out-of-school, out-of-work young adults received either unemployment benefits, SSI disability benefits, or TANF/general relief benefits. One of four of these young adults received health insurance coverage under the Medicaid program. One of seven lived in households receiving food stamps, and one in ten lived in households receiving cash rental subsidies or lived in public housing. Overall, one of every three out-of-school, out-of-work young adults received some assistance under one of these six transfer programs.

Table 36:
Percent of Out-of-School and Out-of-Work 16-24 Year Olds Receiving Various, Type of Cash and In-Kind Benefits, U.S.: 2001

Type of Benefits	All
Unemployment benefits	4
TANF, general relief	6
SSI disability benefits	4
Medicaid benefits	25
Food stamps	14
Rental subsidy	10
Any of the above six benefits	33

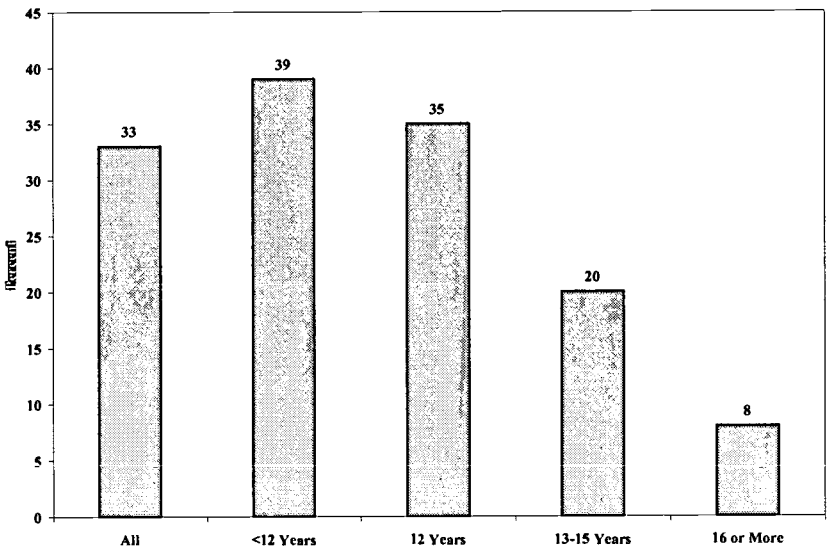
The likelihood of a young out-of-school, out-of-work adult receiving one of these cash or in-kind benefits varied quite substantially by educational attainment. Nearly four of ten young adults lacking a high school diploma/GED certificate received one or more of these benefits as did 35 percent of high school graduates with no post-secondary schooling. In contrast, only 8 percent of four year college graduates received any assistance from one of these programs. The average amounts of such assistance also varied quite considerably across educational attainment

[64] In identifying the recipients of these benefits on the March CPS public use files, the U.S. Census Bureau assigns dollar amounts to individuals for UI benefits, TANF benefits, SSI disability payments, and Medicaid benefits. But for food stamps and rental subsidies, the dollar amounts are attached to households.

groups. The labor market problems of the nation's less well educated young adults, thus, generate a number of fiscal burdens on the rest of society. These groups pay far less in payroll and income taxes than their more well educated peers and receive far higher amounts of cash and in-kind benefits.

We have estimated that the average annual amount of Social Security payroll taxes, state income taxes, and federal income taxes paid by young high school dropouts in calendar year 2001 was only $1,445 versus $2,540 for high school graduates and nearly $5,200 for those holding a bachelor's degree. The budgets of both national and state governments are adversely affected by these tax and transfer developments among the nation's young adult, out-of-school population.

Chart 31:
Percent of the Nation's Out-of-School, Out-of-Work 16-24 Year Old
Adults Receiving One of the Six Cash or In-Kind Benefits by Educational Attainment



Forthcoming Demographic Developments for the Nation's Young Adult Population

The number of young adults (16-24 years old) in the nation's population has been rising since the mid-1990s as a consequence of both the coming to young adulthood of the baby boom echo generation and substantial immigration from abroad. Between 1996 and 2001, the number of 16-24 year olds in the nation's civilian non-institutional population increased from 32.3

million to at least 35.0 million.[65] Over the current decade, the U.S. Census Bureau projects that the number of 16-24 year olds in the nation's resident population will increase from 34.5 million to 38.7 million by the year 2010, a gain of 4.2 million or 12.3%.[66] (Table A). This projected growth rate for young adults is above that for the entire population of the nation over the same time period. Given the past tendency for the U.S. Census Bureau to underestimate foreign immigration inflows, we expect the young adult population to increase by more than 4.23 million over the coming decade unless current national immigration policies are substantially revised in the immediate future. Given past behavior, these new foreign immigrant inflows will be concentrated in the nation's large central cities, in large states in the Northeast (Massachusetts, New York, New Jersey, Connecticut) and in Arizona, California, Colorado, Florida, Illinois, Nevada, North Carolina, and Texas. Many of these newcomers will be undocumented immigrants with limited formal schooling but with a strong work ethic, providing a major source of job competition for the growing numbers of native born, semi-literate high school dropouts in our nation's central cities.

The projected growth rates of the nation's young adult population vary considerably by race-ethnic group. (Table 37 and Chart 32). The lowest projected rate of growth will be among White, non-Hispanics (5.3%) followed by American Indians (13%) and Blacks (17%). The highest rates of growth will be among Hispanics (34%) and Asians (36%), both of whose numbers have been supplemented by growing numbers of immigrants, both legal and undocumented.

[65] When the CPS population estimates for 2001 are revised by the U.S. Census Bureau in the near future to incorporate the findings of the 2000 Census which found a larger than expected population, the 16-24 year old population will be revised upwards.

[66] The population estimates in Table A include persons who are inmates of institutions (jails, prisons, long stay hospitals) and members of the armed forces stationed in the United States.

Table 37:
2000 and 2010 Projected Population[1] of 16-24 Year Olds
in the United States, Total and by Race-Ethnic Group
(in 1000s)

Group	(A) 2000	(B) 2010	(C) Absolute Change	(D) Percent Change
American Indian[2]	322	364	42	13.0
Asian[2]	1,472	2,006	534	36.2
Black, not Hispanic	5,230	6,111	881	16.8
Hispanic[3]	5,101	6,830	1,729	33.9
White, not Hispanic	22,723	23,918	1,195	5.3
Total	34,473	38,702	4,229	12.2

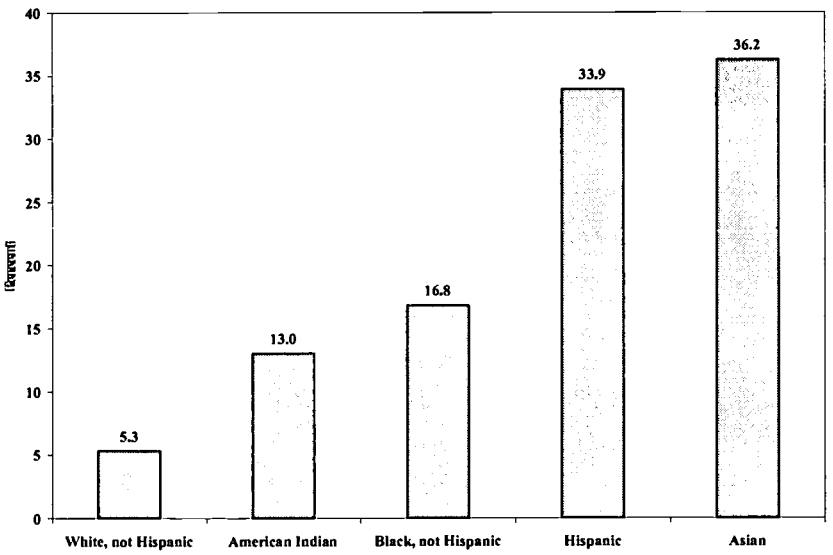
Source: U.S. Census Bureau, "Middle Series Projected Population of the U.S.," web site.

Notes: (1) The population projections are those under the Middle Series projections of the U.S. Census Bureau.

(2) Totals for these two groups exclude Hispanics

(3) Hispanics can be members of any race. They are excluded from the counts for all race groups.

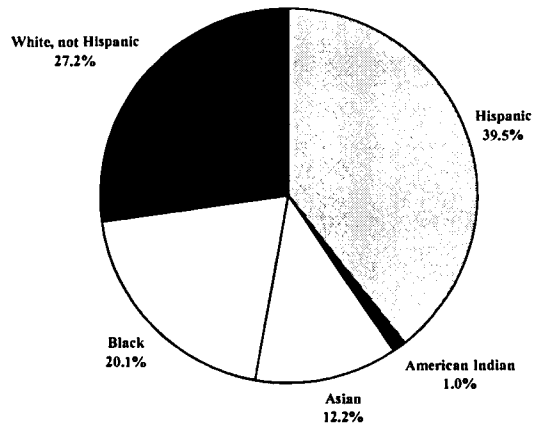
Chart 32:
Projected Growth Rates of the Nation's 16-24 Year Old Population,
2000-2010, by Race-Ethnic Group
(in %)



As a consequence of these highly divergent growth rates among the nation's young adult population by race-ethnic group, the demographic composition of the net change in the young

adult population over the coming decade will differ markedly from that of the 2000 average young adult population. Approximately 41% of the growth in the 16-24 year old population will be generated by Hispanics, 21% will be generated by Blacks, 13% by Asians, and only 28% by White, non-Hispanics (Chart 33). In 2000, nearly two-thirds of the nation's young adult population consisted of White, non-Hispanics. More than ever before, the nation's young adult population at the end of the decade will be comprised of non-Whites and Hispanics, with the latter group becoming the dominant minority group at the end of the decade.

Chart 33:
Race-Ethnic Composition of the Projected Growth in the Young Adult U.S. Population, 2000 – 2010
(in %)



Summary of Key Findings and Their Policy Implications

The age span from 16 to 24 is a critical one for the educational and labor market development of young adults. The past decade witnessed areas of progress, stagnation, and decline in the educational and labor market arenas for the nation's 16-24 young adult population. Following 15 years of decline, this demographic group has been growing at an above average pace in recent years and will continue to increase through the end of the current decade. In 2001, there were 35 million 16-24 year olds in the nation's resident civilian, non-institutional population, and their numbers are projected to increase to nearly 39 million by the end of the decade. Of that 35 million, slightly more than half or 18.1 million were out-of-school in a

typical month during the past year, and 5.2 million or nearly 15% of all young adults were both out-of-school and out-of-work. The likelihood of a young adult being both out-of-school and out-of-work during 2001 varied widely by educational attainment, race-ethnic group, family income background, and geographic location. High school dropouts from low income families in the nation's large central cities faced extremely high rates of joblessness (70 to 80 percent) in the past year.

On the educational front, there have been some areas of progress over the past decade. A higher fraction of the nation's 16-24 year olds are enrolled in school today that at the end of the 1980s, more of the nation's 18-24 year old high school graduates have been attending college, and there has been a modest rise in the share of young adults obtaining a bachelor's degree. On the negative side, however, there have been no gains whatsoever during the past decade in the share of the nation's teens who obtain a regular high school diploma, dropout rates from many large public school districts remain extraordinarily high (35 to 50 percent), the share of the nation's recent high school graduates enrolling in college immediately after graduation has been declining since 1997, and gender gaps in college enrollment and completion rates have been widening, especially among Blacks and Hispanics but increasingly among Whites as well.[67] The supply of well educated and highly literate young workers has not kept pace with demand over the past two decades, leading to widening earnings differentials in favor of the best educated and those with strong literacy and numeracy proficiencies. Those young adults who are less educated and possess limited literacy/numeracy skills have been left far behind in U.S. labor markets over the past two decades.[68] These labor market developments have generated widening earnings and income inequality among young adult workers and their families.

The labor market lessons from the 1990s revealed that strong economic growth and the attainment of full employment conditions in labor markets are clearly necessary but not sufficient to resolve all youth labor market problems. Despite slow growth in the overall numbers of young adults, nearly ten consecutive years of economic growth, the creation of more

[67] A forceful analysis of the limited gains in educational attainment among the nation's young adults over the past decade is presented in the following monograph:
Paul E. Barton, The Closing of the Education Frontier?, Educational Testing Services, Princeton, 2002.
[68] For a review of employment and earnings development for young adults and workforce development policy recommendations to improve the future labor market situation of the nation's out-of-school young adults, See: (i) Andrew M. Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge...

than 20 million net new wage and salary jobs, and the attainment of full employment labor market conditions at the end of the decade, the nation's out-of-school young adults were no more likely to be employed in the year 2000 than they were at the end of the 1980s labor market boom. Full-time employed young men and women obtained inflation-adjusted weekly wages that were no higher than those they earned at the end of the 1980s, and generally only employed young adult men and women with Master's or higher degrees obtained significantly higher annual earnings in 2000 than they did in 1989.[69] The onset of the national recession in early 2001 brought these labor market gains for young adults to an immediate halt, and their labor market problems have risen to a considerably greater degree than any other age group in society.[70]

Improving labor market prospects for the nation's and central cities' young adults, especially those with limited post-secondary, in the coming decade will likely prove to be an even more formidable challenge than it was in the prior decade due to forthcoming demographic developments, the current weakness of U.S. labor markets, and ongoing changes in the structure of jobs in the so-called New American Economy. The number of young adults in the nation has been rising since the mid-1990s and will continue to do so through the remainder of the decade. This rising demographic tide and continued changes in the race-ethnic and immigrant composition of the young adult population will place added supply pressures on labor markets while current labor market developments are reducing the ability of employers to absorb these growing numbers of young adults. The recession of 2001 and the jobless recovery of 2002 have taken a substantial toll on job opportunities for out-of-school youth, especially those lacking four year college degrees, and new college graduates have been under-employed at a greater rate, often taking jobs that would have gone to young high school graduates. There is a clear need for new government initiatives to boost job opportunities for both teens and 20-24 year olds.

Unfortunately, federal resources for employment and training programs have been scaled back considerably over the past few decades, especially for youth programs. National funding for the summer jobs program for economically disadvantaged youth has been effectively eliminated. Funding for the School-to-Work Opportunities Act programs has expired. Available

[69] Young male dropouts (20-29) also obtained higher annual earnings in 200 than they did in 1989, but the absolute growth and rate of increase was far below that for Master's degree holders.

[70] For recent reviews of the labor market plight of young adults from ages 20 to 34 in the past two years,

federal funds under the Workforce Investment Act can provide only a limited number of education, training, or employment opportunities for economically disadvantaged or jobless youth, especially in the nation's large central cities. Under the current budgetary environment, states are not in a fiscal position to boost funding for new youth initiatives. What is needed today is a clear recognition by national, state, and local economic policymakers and elected officials at all levels of the current and forthcoming youth demographic challenge, of the current high levels of youth joblessness and idleness, and how far removed we are from the attainment of truly full employment conditions and solid economic prospects for many of the nation's out-of-school young adults.

In Richard Bach's novel Illusions: The Adventures of A Reluctant Messiah, there is the following quote from the Messiah:

"There is no problem so big that it cannot be run away from."[71]

To a major extent, we have succeeded in running away from the youth labor market problem. Strong job gains and rising wages in the 1990s labor market boom helped to reduce the magnitude and severity of these problems for all youth subgroups and concerns about youth labor market problems largely evaporated. But even at the peak of the boom in 2000, nearly 4.9 million 16 to 24 year olds were out-of-school and left out-of-work during a typical month, and another 2.3 million were only working part-time. Since then, joblessness, underemployment and mal-employment problems have intensified among young adults, and the numbers of young adults in the population continue to swell. Earlier this year, the U.S. Congress passed new national education legislation known as the "No Child Left Behind Act". Last year, Secretary of Labor Elaine Chao announced a national goal to "leave no worker behind" without specifying a set of goals or timetables for their accomplishment.

The nation's 16-24 year olds occupy a sort of "no man's land" in between these two goals: no longer children but not yet treated as adults in the nation's labor markets. The continuation of existing policies that largely ignore the labor market plight of these young adults

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See: (i) Peter Cox, Michelle Conlin, and Emily Thornton, "A Lost Generation?", Business Week, November 4, 2002, pp. 44-46; (ii) Noshua Watson, "Generation X: Generation Wrecked," Fortune, October 14, 2002, web site.

[71] See: Richard Bach, Illusions: The Adventures of A Reluctant Messiah, Dell Publishing Company, New York, 1977.

will not make them go away, and the social and economic consequences of inaction will remain with us for decades. It is now time for the nation to develop a new, sustained, and high level commitment to a national goal of "leaving no young adult behind" with the aim of substantively reducing joblessness, underemployment, high school dropout problems, and young adult poverty and substantially improving career labor market prospects for the current generation of young adults.

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