

After Years of Labor Market Pain, 2015 Finally Gave Millennial Workers Reasons for Optimism

By Sunny Frothingham and Rachel West

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Many Millennials, or individuals who were roughly 15 to 35 years old in 2015, transitioned into adulthood in the shadow of the Great Recession. This recession—the deepest in nearly eight decades—occurred as Millennials pursued their final years of education and began their careers, leading to intense financial pressures and lasting negative effects on this generation. Despite being more educated than past generations, a greater share of Millennials live in poverty than members of previous generations did at the same age.¹ And many of those who have been able to access higher education are saddled with seemingly insurmountable debt: The average debt burden per borrower for 2015 college graduates was more than \$35,000, a figure which has doubled since the early 1990s.²

At the same time as the cost of reaching the middle class has risen, Millennials have also been plagued by stagnant or declining wages.³ Even after adjusting for inflation, the median income of 18- to 34-year-olds today is thousands of dollars less than the median income of the same age group in the 1980s, 1990s, and 2000s.⁴ In addition to the generational differences in wages for the typical worker, a large share of Millennials are earning very low wages. In 2014, more than 70 percent of minimum-wage earners were Millennials.⁵ As Millennials navigate this harsh labor market landscape, many are coming of age to start families—or are already parents: In 2014, over 84 percent of births were to Millennial mothers.⁶

The challenges facing Millennials—including high levels of debt, stagnant and low wages, and the new expenses of starting families—have been compounded by a lack of access to labor market opportunities in the aftermath of the Great Recession. Indeed, even as the economy has continued its gradual recovery, unemployment has remained high for young workers—especially workers of color—and the labor force participation rate for youth has not rebounded to pre-recession levels.

The final Bureau of Labor Statistics release of 2015 employment data shows that the unemployment rates for workers of all ages and for youth ages 16 to 24 held steady at 5.0 percent and 11.2 percent, respectively, and the economy added an impressive 292,000 jobs in the month of December.⁷ The overall labor force participation rate was essentially flat in December, rising from 62.5 percent to 62.6 percent, while the labor force participation rate for youth—despite rising a full percentage point to 55.6 percent between December and November—was unchanged in year-over-year terms for the fifth year in a row.⁸ Overall, trends in 2015 suggest that although the labor market landscape has improved for Millennial workers since the recession, policymakers must do more to increase access to work opportunities for America’s largest-ever generation, and particularly for Millennial workers of color.⁹

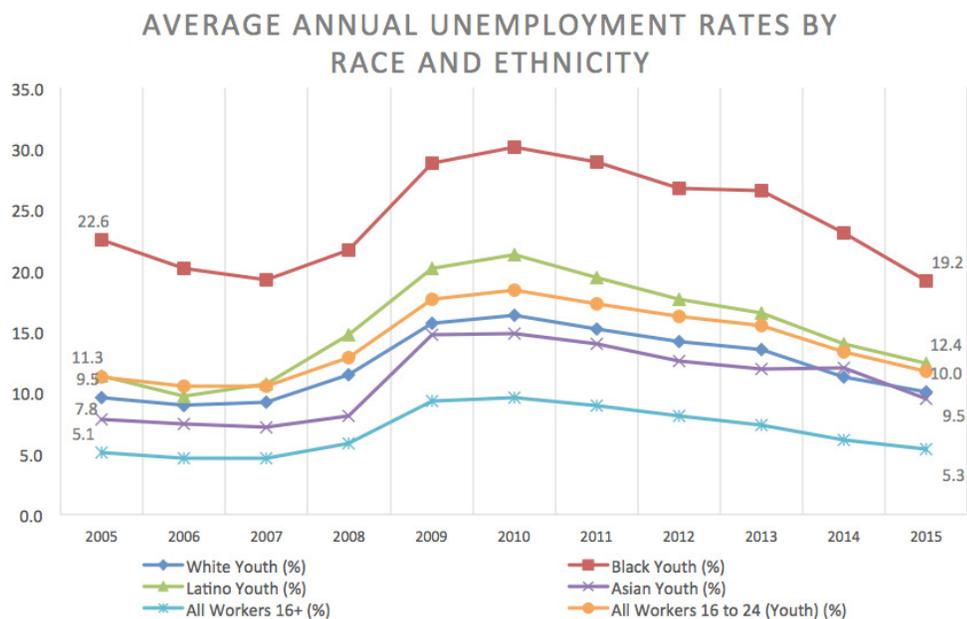
Unemployment fell in 2015, but remains high for youth

2015 was a historic year in the U.S. job market: The unemployment rate sank to 5.0 percent in October and held steady in November and December. Five percent is the lowest unemployment rate since early 2008—half the peak of 10 percent in October 2009—and the culmination of a gradual decline throughout six years of economic recovery from the Great Recession. Youth unemployment has also been stable over the last few months, and in 2015 the annual average unemployment rate for youth reached its lowest point since 2007.



1 Source: Bureau of Labor Statistics

A breakdown of youth unemployment by race and ethnicity shows that unemployment fell across the board 2015—consistent with generally downward trends for all groups since 2010—but that racial and ethnic disparities in unemployment persist. For the last 10 years, white and Asian youth have had consistently lower unemployment rates than other groups of 16- to 24-year-olds, with Asian youth facing the lowest unemployment rate in most years. (However, it is important to view this in the context of the labor force participation rate, as discussed below). The Latino youth unemployment rate has tracked closely with the youth averages over time, while the unemployment rate for black youth has consistently hovered around 9 to 11.5 percentage points higher than the average youth rate. The gap between black and average youth unemployment narrowed to 7.5 percentage points in 2015, the smallest it has been in the last 10 years. This is a consequence of falling black youth unemployment: At 19.2 percent, 2015 marked the lowest annual average unemployment rate for black youth since 2007.



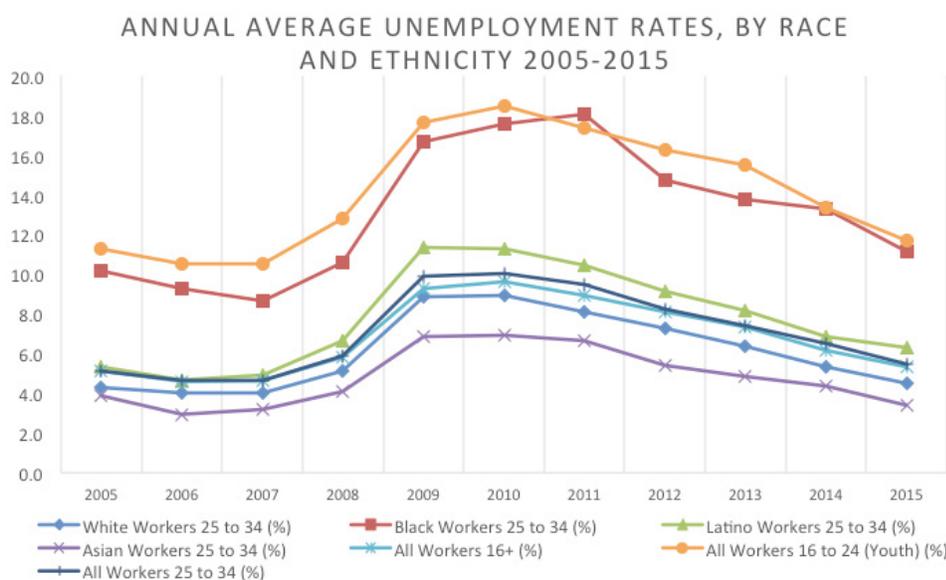
² Note: Unemployment data broken down by race and ethnicity is not seasonally adjusted. To remove normal seasonal distortions from the data, the author used the annual averages.
 Source: Bureau of Labor Statistics

Older Millennials fare better in employment, but disparities between racial and ethnic groups persist

In contrast to their younger counterparts, the unemployment rate for older Millennials—individuals ages 25 to 34—has closely mirrored the overall

unemployment rate for workers age 16 and above for the past decade, as seen below.

However, when unemployment rates are broken down by race and ethnicity, it becomes clear that only certain Millennials experience unemployment rates close to the average for all workers. Asian and white 25- to 34-year-olds have unemployment rates slightly below the overall unemployment, and Latino 25- to 34-year-olds have unemployment rates slightly above it. For black 25- to 34-year-olds, unemployment remains well above other workers, and more closely follows the rate for youth ages 16 to 24.

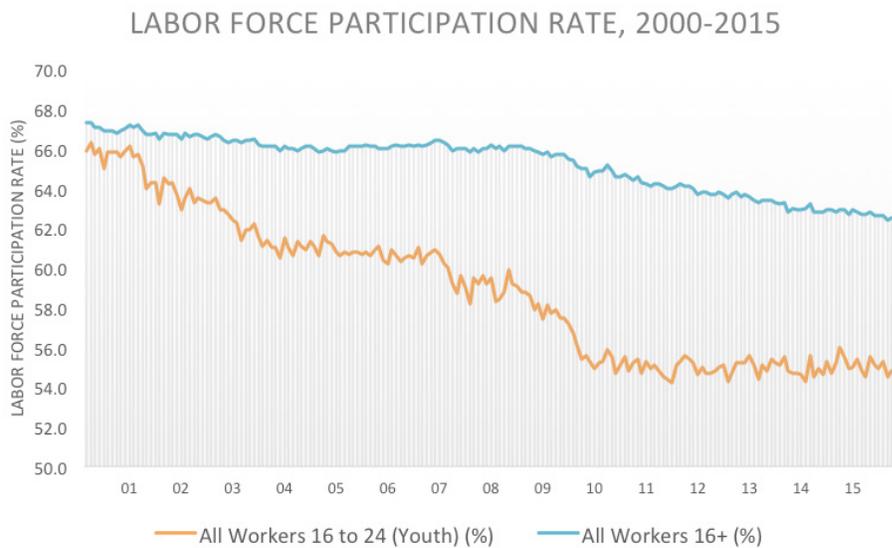


Labor force participation was stable for youth, and strong for older Millennials

Unlike the unemployment rate, which measures the share of workers who are available for and actively seeking a job but cannot find one, the labor force participation rate measures the share of all people in an age group who are either employed or unemployed. The labor force participation rate helps give context to changes in the unemployment rate. The unemployment rate may fall for one of two reasons—either because some previously unemployed workers have become employed, or because the number of individuals who are actively looking for work has decreased.

Unfortunately, the slow progress in shrinking the overall unemployment

rate during the recovery has been accompanied by an overall decline in the labor force participation rate. Despite a very slight increase in December, the share of Americans ages 16 and over who participated in the labor force is still a worrying 3.5 percentage points below pre-recession levels.¹⁰ When the unemployment and labor force participation rates decline simultaneously—as the country witnessed during much of the economic recovery—it can be an indication that workers are leaving the workforce because they are discouraged by weak job opportunities. In the last 12 months, three key measures of labor underutilization—the number of people who were unemployed, were marginally attached to the workforce, or were employed only part-time despite wanting full-time work—have all fallen, painting a positive picture of the economy’s recent progress. However, without more robust labor force participation, the progress toward a lower unemployment rate is not cause for full-blown celebration.



4 Source: Bureau of Labor Statistics

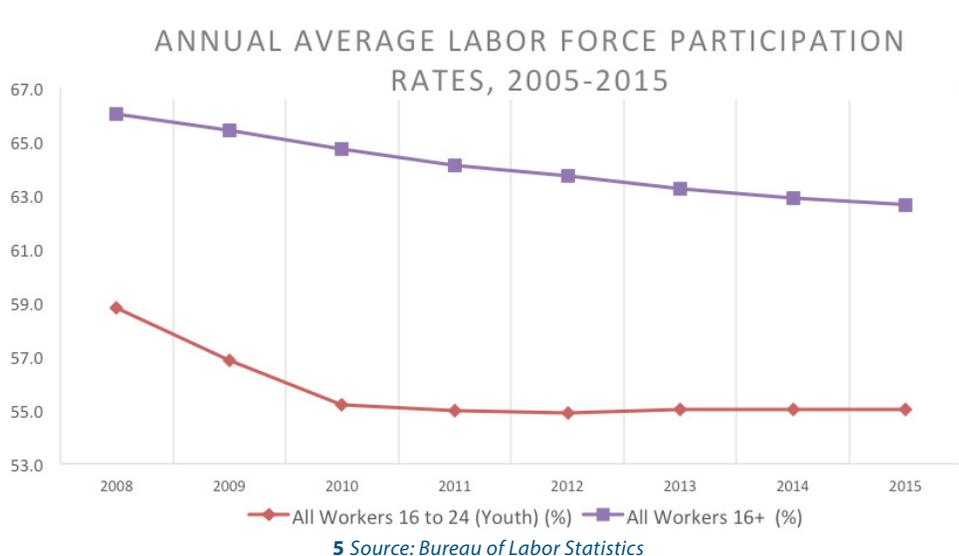
Youth labor force participation rate relatively steady over the past five years

Generally, a high labor force participation rate is indicative of a strong economy. Economic productivity and growth depend on the share of the population that is engaged in producing valuable goods and services. Greater productivity and growth lead to higher tax revenues, which can in turn be used to support investments in public priorities. Among youth, however, greater

labor force participation is not necessarily desirable: If youth have good access to beneficial educational opportunities—such as the opportunity to complete high school or attend college prior to working—then the youth labor force participation rate is expected to be lower than the rate for older workers. A decline in labor force participation for youth simply indicates that young people are leaving the workforce; it does not convey whether this is because young people are discouraged by poor job prospects or because youth are staying in—or returning to—school in greater numbers.

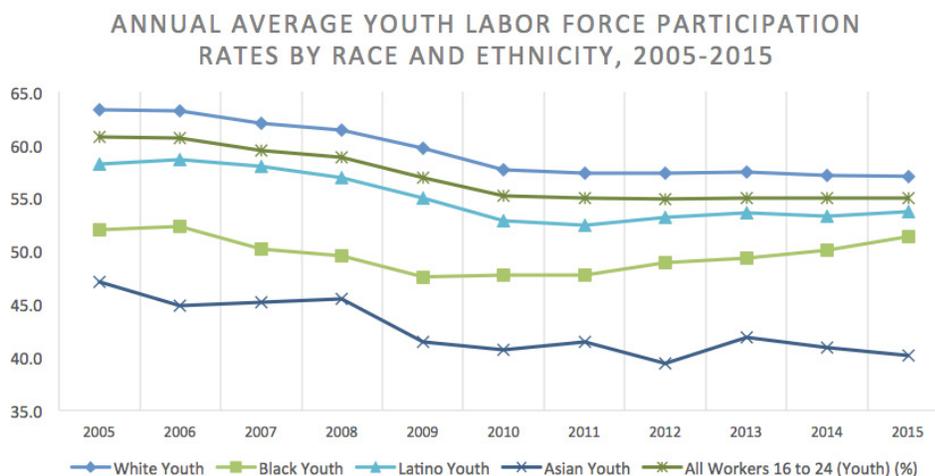
In her analysis, “The Class of 2014,” economist Heidi Shierholz sheds some light on this question, finding that the decrease in labor force participation for youth during the Great Recession and its aftermath could not simply be attributed to young people returning to school. College and university enrollment rates did not show significant increases in 2007-2012 compared to the pre-recession period, and enrollment rates have actually declined since 2012.¹¹ This suggests that rather than furthering their education, many young workers who are “missing” from the labor market are in fact waiting on its sidelines, waiting for job opportunities to improve. When large numbers of young workers are sidelined because of a lack of quality job opportunities, the low youth labor force participation rate becomes a major cause for concern, especially in conjunction with high unemployment rates.

The youth labor force participation rate was 55.6 percent in December, around 3.6 percentage points below pre-recession levels. In the figure below, the annual averages for youth and overall labor force participation show that the youth rate—despite a sharper fall in the throes of the recession—has held relatively steady over the past five years, even as the overall rate for all workers continued to decline.



Breaking these data down by race and ethnicity, Figure 5 shows that the annual average labor force participation rate for white youth closely tracked the national youth trend over the past decade—flat since 2010 following a decline between 2006 and 2010—but was consistently 2 to 3 percentage points greater than the overall youth rate. Latino youth roughly follow the overall trend as well, with a participation rate 1 to 2.5 percentage points below the overall youth rate; however, this margin has been narrowing somewhat since 2012 with gradually increasing labor force participation.

Labor force participation trends for black and Asian youth are strikingly different from other groups. In the last 10 years, the gap between black youth and other youth groups has shrunk significantly: In 2005 the average annual black youth labor force participation rate was close to 9 percentage points below the overall youth rate, while in 2015 it was just 3.6 percentage points lower. This rise in labor force participation for black youth gives additional weight to the vastly higher unemployment rates that black youth experience. Increasing numbers of black youth are actively seeking employment, but 15 years into the new millennium, the labor market still fails to provide equivalent labor-market opportunities to black youth who want to work. The labor force participation rate for Asian youth, by contrast, has consistently been well below that of other youth by 13 to 15 percentage points. Asian youths' participation rate shows the most variation over time, but this is likely due at least in part to a smaller sample size of Asian youth within labor force data, reflecting the smaller numbers of Asian youth in the U.S. population.

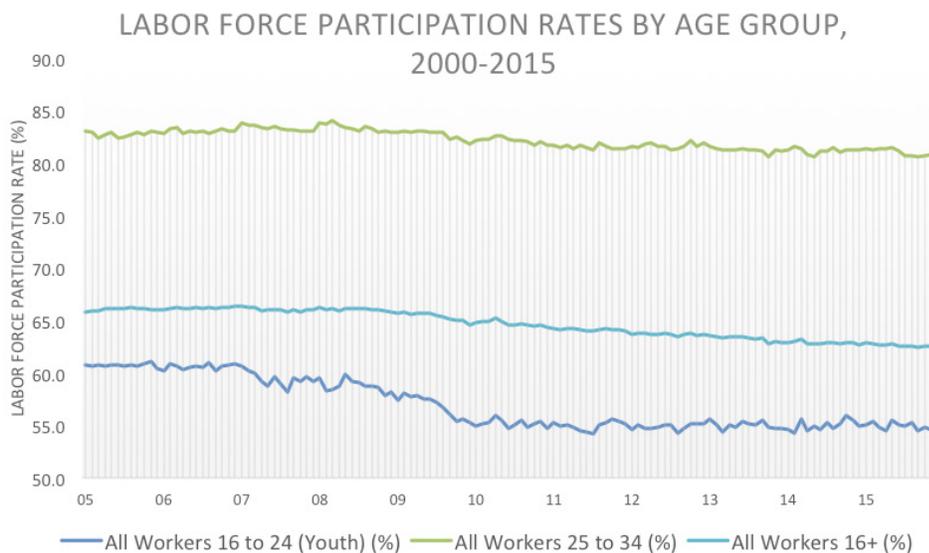


6 Note: Labor force participation data broken down by race and ethnicity is not seasonally adjusted. To remove normal seasonal distortions from the data, the author used the annual averages.
 Source: Bureau of Labor Statistics

Overall, the concurrent drop in labor force participation and spike in unemployment for youth that occurred during the recession—especially in light of flat college and university enrollment rates—demonstrates that many younger Millennials were left without opportunities during their formative working years—years that can establish the trajectory of a worker’s employment and earnings throughout the remainder of their careers.

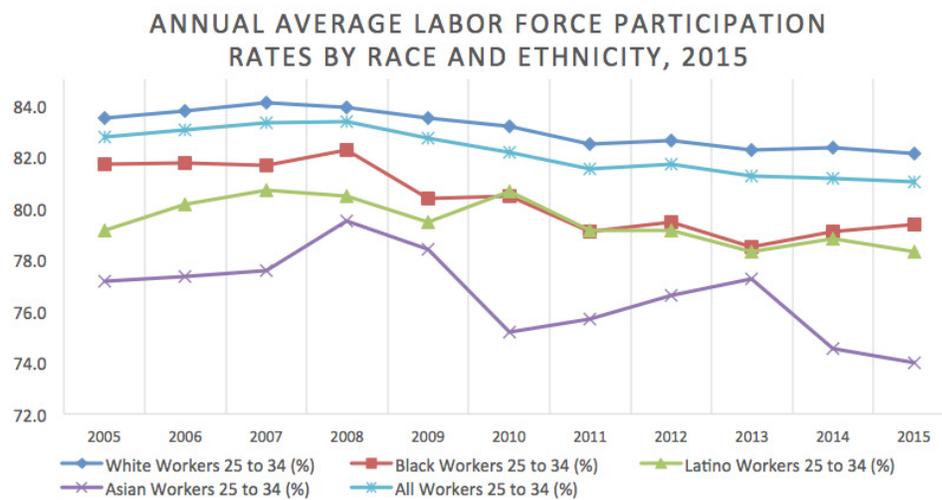
For older Millennials, labor force participation is far higher than the national average

In contrast to younger Millennials, today’s 25- to 34-year-olds have far higher labor force participation rates. Some of this can be explained by the greater likelihood that these Millennials have exited school and begun their careers. In addition to outpacing the youth rate, however, the labor force participation rate for these older Millennials far exceeds the overall labor force participation rate. In 2015, the average labor force participation rate for 25- to 34-year-olds was 81 percent—26 percentage points higher than the 2015 rate for Millennials under age 25, and 18 percentage points higher than the 2015 rate for all workers age 16 and over. The labor force participation rate for 25- to 34-year-olds is about two percentage points below pre-recession levels, compared to 3.5 percentage points across all workers.



As shown below, all groups of 25- to 34-year-olds—white, black, Latino, and Asian—have higher labor force participation rates than the overall national rate across all workers. As among youth, participation among older white Millennial workers consistently exceeds that of races and ethnicities in the same age group. The rates for black and Latino 25- to 34-year-olds fall slightly below the rate for all 25- to 34-year-olds, but are still well above the overall rate for all workers 16 and over. This high rate of labor force participation—in conjunction with disproportionately high unemployment rates for Latino 25- to 34-year-olds and especially high rates for black 25- to 34-year-olds—suggests that young Latino and black workers are striving to find meaningful employment but face greater difficulty in accessing jobs.

As among youth, the rate for Asian 25- to 34-year-olds shows the most variation over time, likely due at least in part to a smaller sample size. For both Asian youth and older Asian Millennials, lower unemployment rates combined with lower labor force participation rates relative to others in their age groups suggests that while fewer Asian Millennials have entered the job market, these workers have greater access to employment opportunities when they do seek work. These patterns may be due in part to higher levels of educational enrollment among Asian youth when compared to their peers—enrollment data from 2000 to 2012 demonstrates that the share of Asian high school graduates enrolled in college—around 86 percent in 2012—consistently and significantly exceeds that of other racial and ethnic groups.¹²



8 Source: Bureau of Labor Statistics

Conclusion

Over the past five years, the consistently high labor force participation rate among 25- to 34-year-olds and the steady rate among youth demonstrate that Millennials have been hard at work and actively seeking employment opportunities. As Millennials forge ahead beyond 2015—pursuing education, navigating the labor market, and providing for their families—unemployment remains a major challenge for the Millennial generation, especially among young black and Latino workers. The unemployment rates for youth and Millennials of color show that many young people lack opportunities to successfully participate in the current labor market. Data suggest that black Millennials in particular continue to face significantly hampered employment opportunities, even as they participate in the labor market in ever-greater numbers.

These challenges and disparities should be a call to action for policymakers to better respond to the needs of Millennial workers. Continued progress toward economic recovery from the recession—and the future stability and growth of the American economy, more broadly—depends critically on improving labor market opportunities for our nation’s largest-ever generation of workers. A strong policy agenda to improve opportunities for Millennial workers must include increasing educational access; expanding employment opportunities through greater public investment in initiatives such as job training, apprenticeships, and national service programs; and improving working conditions with policies that ensure living wages, paid leave, and fair scheduling practices.

END NOTES

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- ³ Jennifer Erickson, “The Middle Class Squeeze” (Washington: Center for American Progress, 2015), available at <https://www.americanprogress.org/issues/economy/report/2014/09/24/96903/the-middle-class-squeeze>.
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- ⁹ Richard Fry, “Millennials surpass Gen Xers as the largest generation in the U.S. labor force” Washington: Pew Research Center, 2015), available at <http://www.pewresearch.org/fact-tank/2015/05/11/millennials-surpass-gen-xers-as-the-largest-generation-in-u-s-labor-force>.
- ¹⁰ Bureau of Labor Statistics, “Civilian labor force participation rate: 16 years and over,” available at <http://data.bls.gov/timeseries/LNS11300000> (last accessed January 2016).
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- ¹² Drew DeSilver, “College enrollment among low-income students still trails richer groups” (Washington: Pew Research Center, 2014), available at <http://www.pewresearch.org/fact-tank/2014/01/15/college-enrollment-among-low-income-students-still-trails-richer-groups>.