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Before the  
U.S. House of Representatives Committee on Education and Labor

**“Ensuring Economic Opportunities for Young Americans”**

October 1, 2009

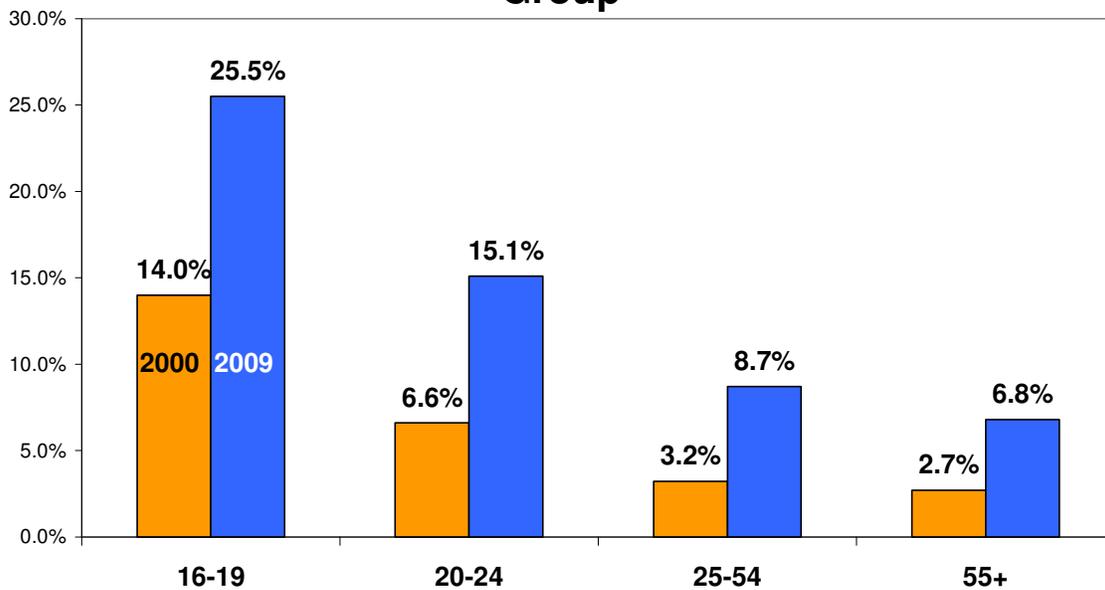
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Good morning, Chairman Miller, Ranking Member Kline, and members of the committee. I am honored to speak with you today about “Ensuring Economic Opportunities for Young Americans.”

The current recession is taking a toll on all Americans, but young Americans face a particularly difficult labor market. In August of this year, the unemployment rate for young workers under 25 years old was significantly higher than for older workers. The unemployment rate for workers 25-to-54 years old was 8.7%. For 20-to-24 year olds, the August unemployment rate was 15.1%. For 16-to-19 year olds, it was 25.5%. (See Figure 1.) Even youth who have recently completed college are facing historically high unemployment rates.<sup>1</sup>

These greater difficulties for young workers are not simply due to this recession. Even during the low-unemployment year of 2000, the job market for youth was significantly worse than for older workers. In August of 2000, workers 20-to-24 years old were more than twice as likely to be unemployed as workers 25-to-54 years old. Workers in their teens were more than three times as likely as 25-to-54 year olds to be unemployed. (See Figure 1.)

**Figure 1. August Unemployment Rates by Age Group**



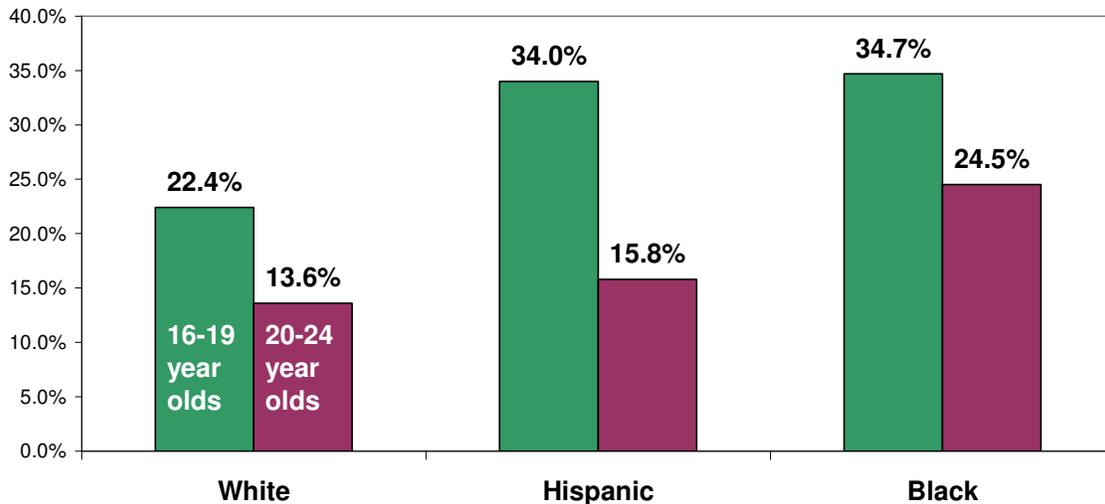
Source: Author's analysis of Bureau of Labor Statistics Data.

High unemployment rates for young workers have both short- and long-term negative consequences. When many young people who would like to work cannot find work for

an extended period of time, there is the risk that some of them will give up on the formal labor market completely and become discouraged workers. For males, higher youth unemployment rates are strongly associated with higher crime rates.<sup>2</sup> In the long-term, work experience acquired as a youth is correlated with better social and economic outcomes in later years.<sup>3</sup>

Recessions bring specific harm to young workers. Current research suggests that “the labor market consequences of graduating from college in a bad economy are large, negative and persistent.”<sup>4</sup> College graduates who enter the labor force in a bad economy see lower starting wages relative to wages in more fortunate times. Wages for these young workers in a recession are 6% to 8% lower for each additional percentage point increase in the national unemployment rate. This negative wage effect does decrease with each passing year, but even 15 years after college graduation, wages are lower for those who graduated during times of higher unemployment.<sup>5</sup> Thus, when thinking about “Ensuring Opportunities for Young Americans,” we need to think about what can be done to help them recover from the negative effects of this recession a decade or two into the future when they are middle-aged Americans.

**Figure 2. August 2009 Unemployment Rates by Race/Ethnicity**  
(not seasonally adjusted)



Source: Author's analysis of Bureau of Labor Statistics data.

While the youth employment picture is bad generally, it is even worse for Hispanic-American and African-American youth. For example, the black youth unemployment rate for 16-to-19 year olds and for 20-to-24 year olds are both more than ten percentage points higher than the comparable white rate. (See Figure 2.) All of the negative effects that accompany high youth unemployment can therefore be assumed to be more strongly felt among Hispanic and African-American youth.

## **What Can be Done to Increase the Economic Success of America's Youth?**

Although the current recession has been a particularly deep and long one, eventually it will end. As mentioned previously, the problem of high youth unemployment is not specific to our current situation. In the area of education and job training, there are specific policies that will improve youth economic outcomes in non-recessionary labor market situations. Also, we should be thinking about what can be done to improve the economic circumstances of young workers who have been set back by this recession in the years to come.

### Provide Broad Labor Market Education to High School Students

More than a decade ago, Ray Marshall, the former secretary of labor in the Carter administration, stated that “we have no systematic processes to assist high school graduates to move smoothly from school into employment.”<sup>6</sup> Unfortunately, this statement is still largely true today.

In fact, the situation may be worse today because of changes in the American labor market. As one analyst argues, “The need for career coaching and planning support . . . is undeniable. Gone are the days when workers were hired by big, vertically integrated companies and then climbed identifiable company career ladders. Today’s labor market is far more dynamic.”<sup>7</sup> This dynamism makes the labor market more difficult for all workers to understand and navigate. But one can imagine that making wise career decisions are especially difficult for students still in high school.

While we should work to increase the educational attainment of all Americans and particularly of Hispanic and black youth (more on this topic below), it is also important to realize that not every student obtains a college degree. Who educates these students about their job options?

Students tend to learn about jobs from friends and family. This means that there is tremendous variation in the quantity and quality of information that students receive. Typically, students from more advantaged backgrounds receive better information.<sup>8</sup> In order to begin to leveling the playing field, education about the labor market should be part of the formal high school curriculum.

We need to formalize the process by which high school students learn about things such as which high-paying jobs do not require a college degree, how to prepare a resume or job application, job interviewing skills, as well as other information about the labor market.

Knowing how to acquire a job is important. Knowing how to keep one is also important. Employers are currently stressing “soft skills” as job requirements.<sup>9</sup> Do high school students know what “soft skills” are and how to demonstrate that they have them? This information should be part of every state’s high school curriculum.

Labor market education should begin with a broad overview of different types of jobs, their typical pay, and their typical requirements. This knowledge should help students select a career path rather than stumble upon one. Ideally, labor market education should open up students to consider jobs and career paths beyond those of their family and friends.

Given the dynamism of the labor market due to technological advances and global competition, it is important for students to integrate the idea of a dynamic labor market into their thinking. Students should be educated about which occupations are expected to experience strong job growth as well as their expected salaries, so that they are more equipped to set their sights on the economy of tomorrow and not the economy of yesterday.

Broad labor market education would help provide the many students who do not obtain a college degree with some guidance in starting and succeeding in their careers. It should also level the playing field a bit, by ensuring that the most advantaged students do not have exclusive access to the most desirable jobs.

#### Link Job Training to Jobs

A common criticism of job training programs is that they often provide training for non-existent jobs. The Registered Apprenticeship program provides on-the-job training and thus is the ideal jobs training program. The program has an impressive track record. As one assessment states:

Registered Apprenticeship trains more workers for high-skilled, high-wage careers than any other public workforce investment program in the nation, at a fraction of the cost. Sponsors express great satisfaction with their programs, with an employer satisfaction rate of 87 percent . . . . There is also high satisfaction among apprentices particularly with wages. The Upjohn Institute conducted a net impact and cost-benefit analysis of the Washington State workforce system in 2006 and found that earnings increases associated with apprenticeship training were substantially higher three to four years after leaving the program than other post-secondary educational programs (community colleges, private career schools and career and technical education).<sup>10</sup>

Registered Apprenticeships provide excellent training for real jobs in a cost-efficient manner.

The Registered Apprenticeship program should be expanded into non-traditional areas outside of manufacturing and construction. Currently, the majority of apprentices are working in traditionally male, blue-collar occupations.<sup>11</sup> More occupations in growing fields should be incorporated into the program.

Other jobs programs should also be designed for jobs that actually exist. Pre-apprenticeship programs are good when they can funnel students directly into Registered Apprenticeship programs. Green jobs training programs should also ideally be linked to

actual green jobs. At the very least, job training programs should be designed with the current and future needs of the local labor market in mind.

### Increase the Educational Attainment of America's Youth, Particularly Hispanic and Black Youth

Higher educational attainment is associated with lower unemployment rates and higher income. The educational attainment of Hispanic-American and African-American youth, in particular, should be significantly higher than it is. In 2008, 37.1% of whites 25-to-29 years old had obtained a bachelor's degree or higher. The corresponding rate for Hispanics was 12.4% and for blacks 20.4%.<sup>12</sup> We could improve the economic outcomes for Hispanic and black youth by improving their educational attainment.

Current research suggests that the choice of a college can decrease or increase the likelihood that a particular student completes college. A study of Chicago Public School graduates found that the average student's likelihood of graduating varied dramatically depending on the college attended. Unfortunately, the six most popular in-state colleges graduated Chicago Public School students at a rate of 26%. This rate is adjusted for student socioeconomic status, demographic characteristics and academic achievement. Less popular in-state colleges, however, had a Chicago Public School graduation rate of 46%, 20 percentage points higher. An average student from a Chicago Public School could, therefore, significantly increase their likelihood of college completion by choosing one of the less popular schools.<sup>13</sup>

Too many students begin college but never obtain a college degree. This problem seems to be exacerbated among lower-income students who "even when they are better qualified — often go to colleges that excel in producing dropouts."<sup>14</sup>

High school students should be educated about the importance of considering the college graduation rate in choosing a college. Detailed college graduation rate data by race and ethnicity is now widely accessible through the Education Trust's College Results Online data tool.<sup>15</sup> This information needs to be incorporated into high school student college decision-making. It is a small step that has the potential to have a big effect on college graduation rates.

### Provide Adequate Financial Aid for Older College Students

The recession will have lasting negative economic effects on young workers, and young workers today find themselves in a far more dynamic and globally competitive labor market than previous generations. The economic success of young workers will be affected by the amount of opportunities they have to acquire additional education and training over their lifespan.

Just because an individual did not obtain a college degree in his twenties doesn't mean that he cannot obtain a college degree later in life. Many Americans are well aware of this fact. In 2007, 20% of students pursuing an *undergraduate* college degree were over 29 years old.<sup>16</sup> Over time we are seeing fewer and fewer college students who fit the

traditional stereotype of a late-teens-to-early-twenties individual, attending a residential college full-time.

Because we want American workers to have the opportunity to change careers and increase their earnings over time, it is encouraging that individuals 30 years and older are pursuing undergraduate degrees. However, we have to adapt the resources that we provide for college students to match this increasingly age-diverse population.

The student financial aid system is still designed with the “traditional” college student in mind. We have to design financial aid packages for students who are not attending college full-time. These students are increasingly working full-time and supporting a family. We also have to consider “micro-lending” aid models for students who need a few technical courses but not a college degree.<sup>17</sup>

We will make higher education more accessible and increase the human capital of American workers to the extent that we acknowledge and support the increasingly common “non-traditional” college student.

### **Conclusion**

The economic fates of young workers are ultimately tied to the strength of the American economy. Beyond overall economic conditions, much can be done to improve the educational and training outcomes of young workers and thereby improve their likelihood of economic success.

We have to begin with high school curricula. Students need better information and guidance about finding good jobs that do not require a college degree and they also need better advice concerning college selection. Our jobs training programs need to be connected to the current and future labor market and ideally connected to real jobs. If we can expand the Registered Apprenticeship program into new and growing fields we will provide an avenue for upward mobility for many young workers. Young workers will be set back by this recession. Many of them, in years to come, will return to school to acquire new skills and credentials. The financial aid system should be modernized to provide them with the assistance they need to advance their careers.

### **Notes**

1. Kathryn Edwards, “Commencing Unemployment,” *Economic Snapshot*, June 10, 2009. Washington D.C.: Economic Policy Institute.
2. See for example, Ming-Jen Lin, “Does Unemployment Increase Crime? Evidence from U.S. Data 1974-2000,” *Journal of Human Resources* XLIII, no. 2, 2008: 413-436.

3. Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, and Sheila Palma, “The Collapse of the National Teen Job Market and the Case for An Immediate Summer and Year Round Youth Jobs Creation Program,” (Prepared for the U.S. House of Representatives, Subcommittee on Labor, Health, Human Services and Education), Center for Labor Market Studies, Northeastern University, March 2008.
4. Lisa Kahn, “The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy,” Working Paper, electronic version, Yale School of Management, June 12, 2009. <[http://mba.yale.edu/faculty/pdf/kahn\\_longterm labor.pdf](http://mba.yale.edu/faculty/pdf/kahn_longterm labor.pdf)>.
5. Ibid.
6. Quoted in William Julius Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Alfred A. Knopf, 1996), 216.
7. Louis Soares, *Working Learners: Educating Our Entire Workforce for Success in the 21<sup>st</sup> Century* (Washington D.C.: Center for American Progress, 2009), 17.
8. James Rosenbaum, *Beyond College for All: Career Paths for the Forgotten Half* (New York: Russell Sage Foundation, 2001), 40.
9. Ibid.
10. Advisory Committee on Apprenticeship, *The Future of the National Registered Apprenticeship System: A Workforce Strategy for Main Street America* (Washington D.C.: U.S. Department of Labor, 2008), ii.
11. Ibid., iii.
12. Digest of Education Statistics, “Table 8. Percentage of persons age 25 and over and 25 to 29, by race/ethnicity, years of school completed, and sex: Selected years, 1910 through 2008” (Washington D.C.: National Center for Education Statistics, 2008).
13. Melissa Roderick, Jenny Nagaoka, and Elaine Allensworth, *From High School to the Future: A First look at Chicago Public School Graduates’ College Enrollment, College Preparation, and Graduation from Four-Year Colleges* (Chicago, IL: Consortium on Chicago School Research, 2006), 72-82.
14. David Leonhardt, “Colleges Are Failing in Graduation Rates,” *New York Times*, September 9, 2009.
15. The Education Trust, *College Results Online*, <http://www.collegeresults.org/>.
16. Digest of Education Statistics, “Table 191. Total fall enrollment in degree-granting institutions, by level of enrollment, sex, age, and attendance status of student: 2007” (Washington D.C.: National Center for Education Statistics, 2008).

17. For more on this issue, see Soares, *Working Learners*.