

- Millennials +
Labor Market Risk

Elisabeth Jacobs


Washington Center for Equitable Growth




OVERVIEW



What is the labor market outlook for Millennials?
In short: Not great.



How does the unemployment insurance system perform in term of insuring against Millennials' labor market risk?
In short: Poorly.



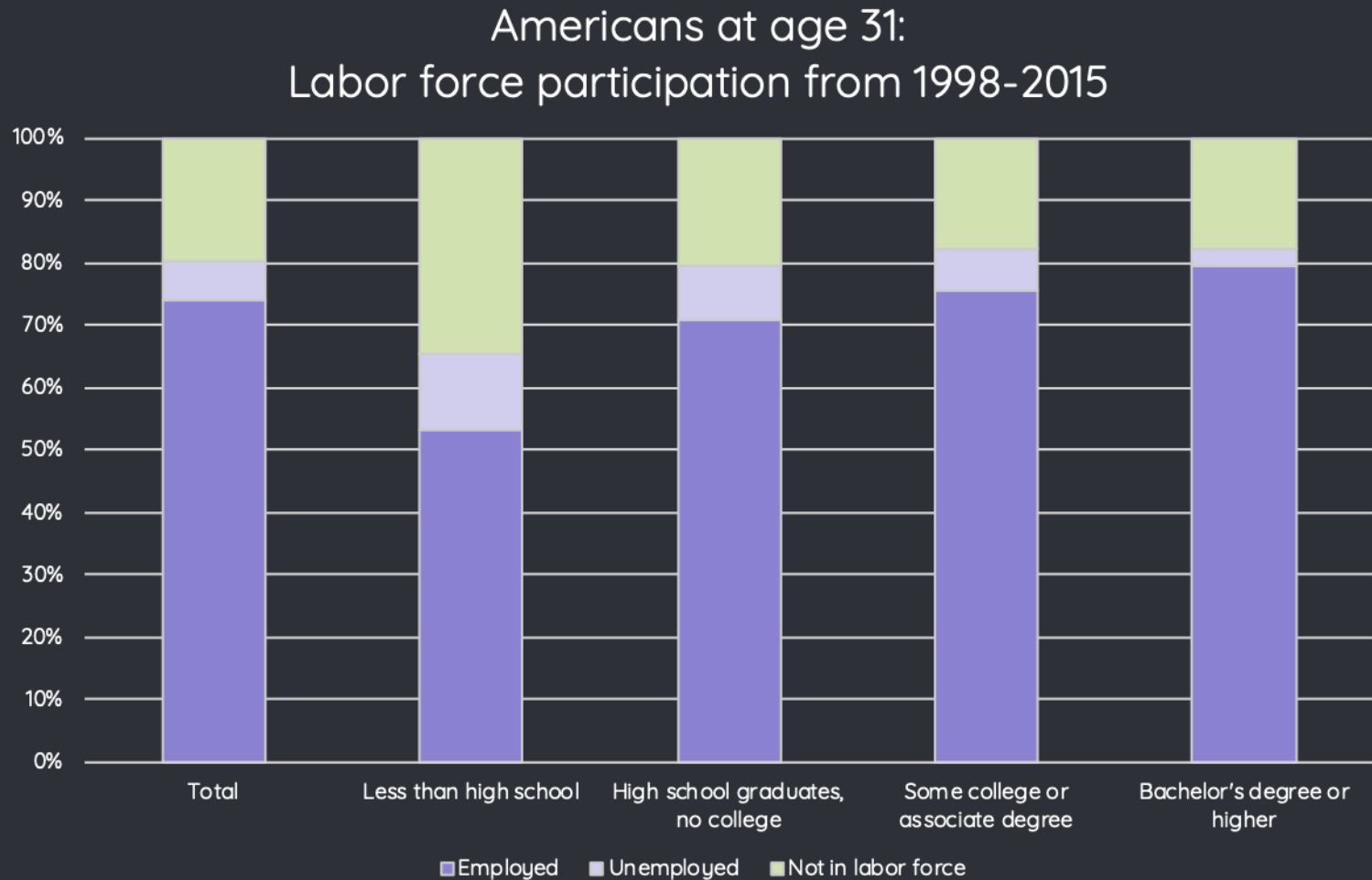
Why should we worry if it Millennial labor market risk is underinsured?
In short: Family economic well-being + economic performance.

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LABOR MARKET OUTLOOK

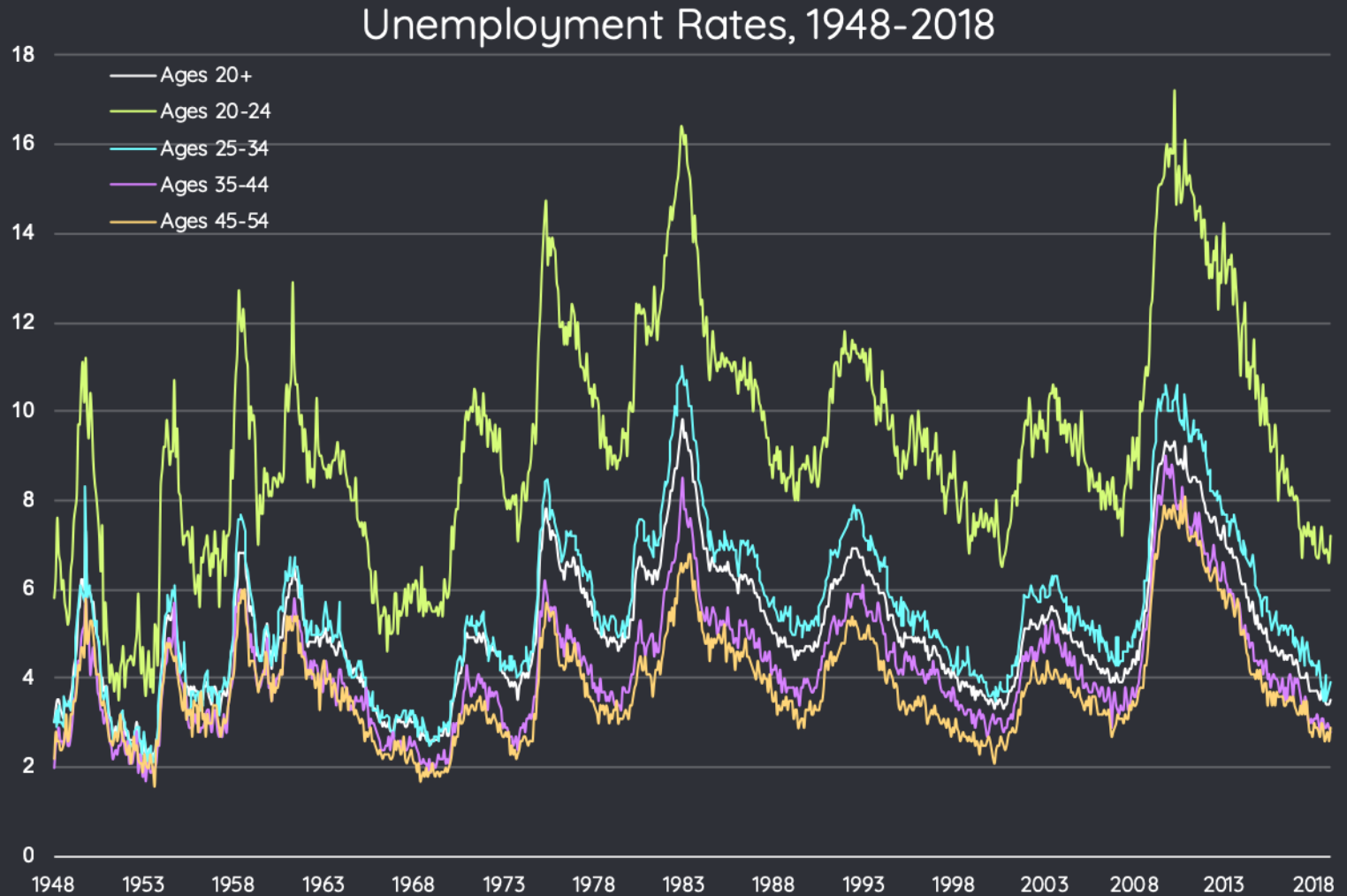
What does employment look like for younger workers today?

MOST MILLENNIALS ARE WORKING



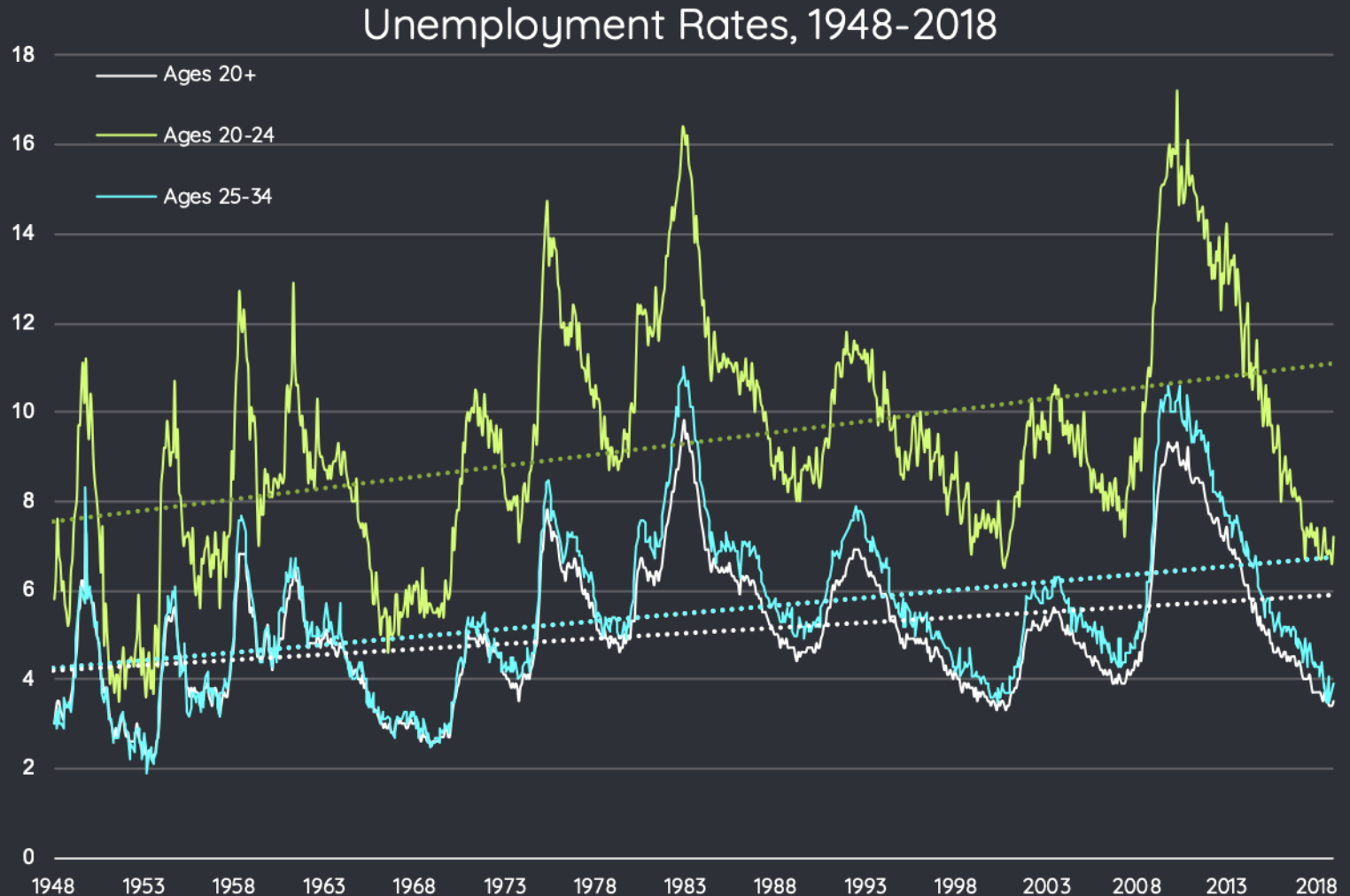
Source: NLSY97. See Table 4 of [Americans at age 31](#). April 2018. Washington, DC: Bureau of Labor Statistics, United States Department of Labor.

UNEMPLOYMENT RATES HAVE LONG BEEN NEGATIVELY CORRELATED WITH AGE



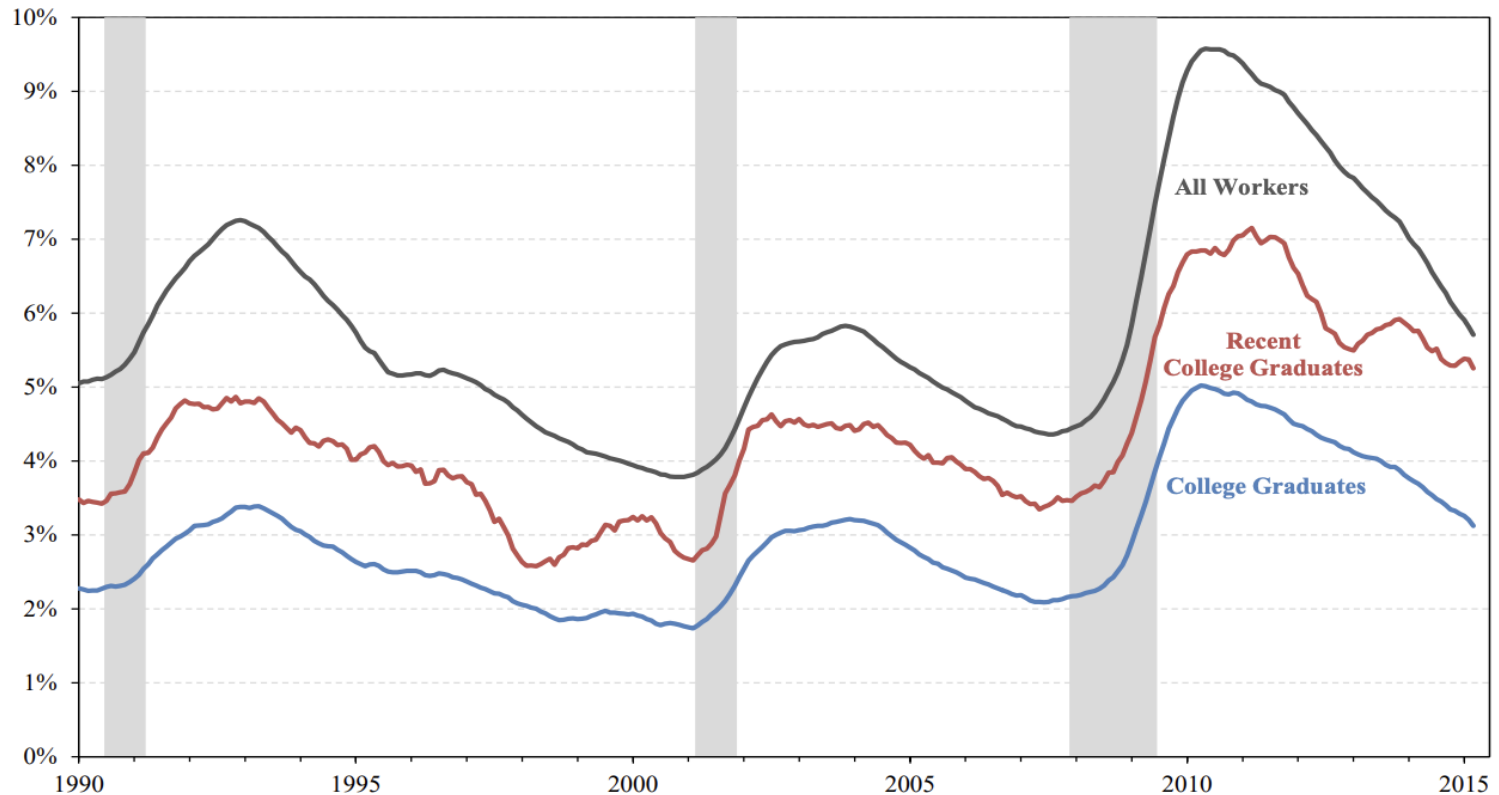
Source: Bureau of Labor Statistics Current Population Survey, via FRED.

EVIDENCE SUGGESTS A SECULAR RISE IN UNEMPLOYMENT FOR YOUNGER WORKERS



Source: Bureau of Labor Statistics Current Population Survey, via FRED. Linear trends interpolated by the author.

UNEMPLOYMENT FOR COLLEGE-EDUCATED MILLENNIALS LOOKS DIFFERENT FROM THAT OF PAST COHORTS



Note: Rates are calculated as a twelve-month moving average. *Recent College Graduates* are those aged 22 to 27 with a bachelor's degree or higher, while *College Graduates* are those aged 22 to 65 with a bachelor's degree or higher. *All Workers* are those aged 16 to 65 regardless of education. All figures exclude those in the military or currently enrolled in school. Shaded area indicates period designated recession by the NBER.

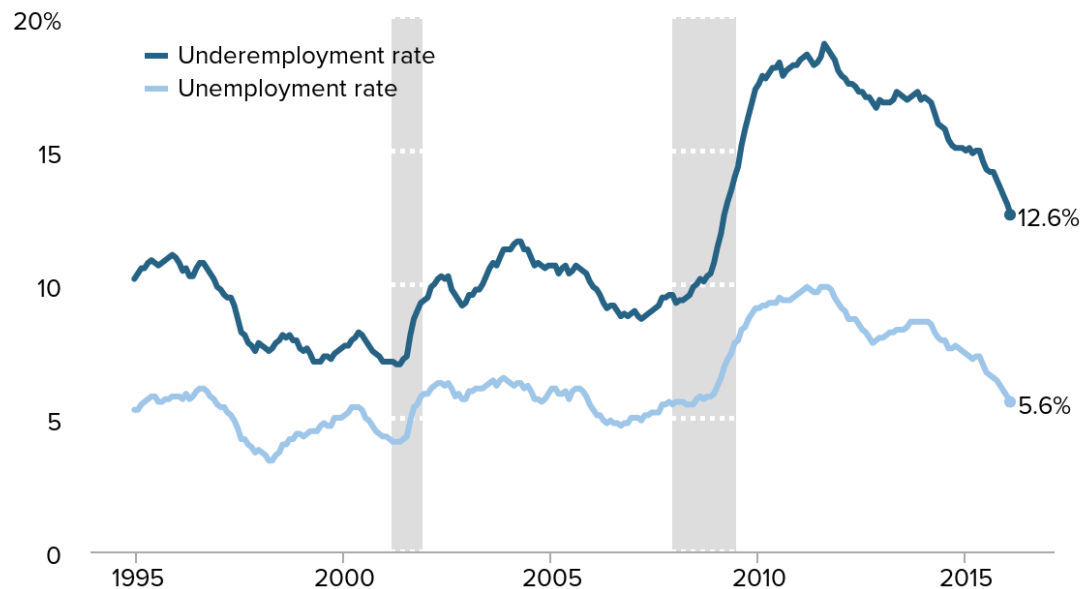
Source: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey.

Source: Figure 1. Abel and Deitz, 2019. [Underemployment in the early careers of college graduates following the Great Recession](#). In *Education, Skills, and Technical Change: Implications for Future GDP Growth*. Eds. Hulten and Ramey.

UNDER-EMPLOYMENT AMONGST YOUNG WORKERS IS HIGH

One in eight young college graduates is underemployed

Unemployment and underemployment rates of young college graduates, 1994–2016*

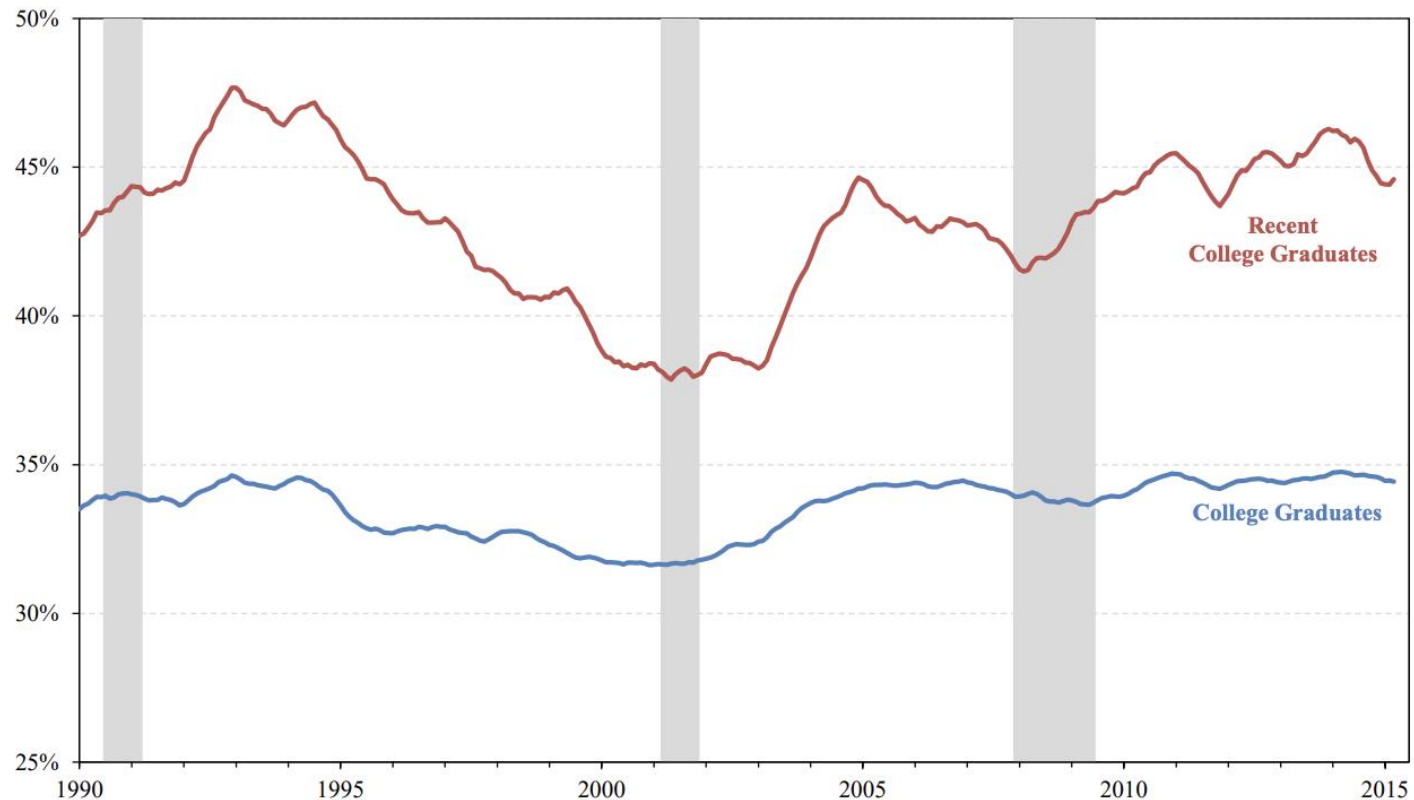


* Data reflect 12-month moving averages; data for 2016 represent 12-month average from March 2015 to February 2016.

Note: Shaded areas denote recessions. Underemployment data are only available beginning in 1994. Data are for college graduates age 21–24 who do not have an advanced degree and are not enrolled in further schooling.

Source: EPI analysis of basic monthly Current Population Survey microdata

COLLEGE-EDUCATED MILLENNIALS ARE INCREASINGLY EMPLOYED IN NON-COLLEGE JOBS



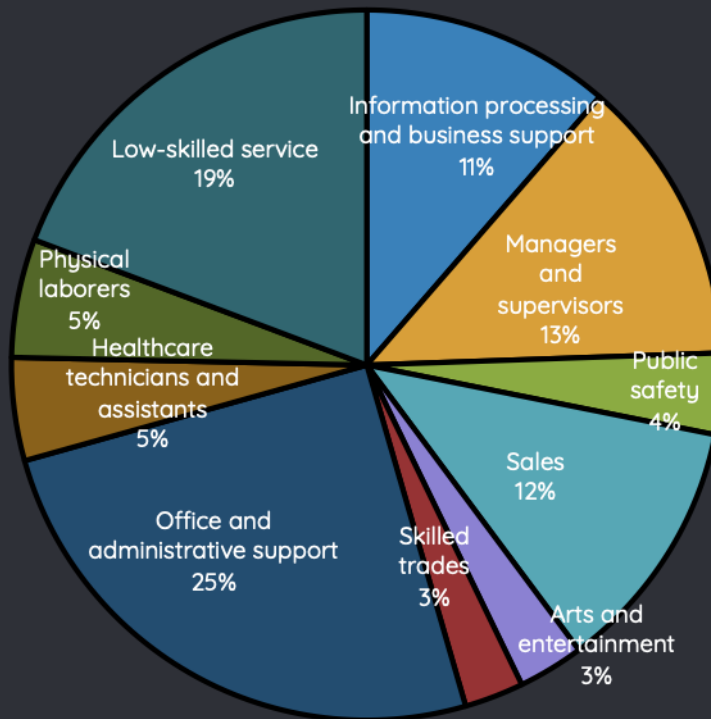
Note: Rates are calculated as a twelve-month moving average. *Recent College Graduates* are those aged 22 to 27 with a bachelor's degree or higher, while *College Graduates* are those aged 22 to 65 with a bachelor's degree or higher. All figures exclude those in the military or currently enrolled in school. Shaded area indicates period designated recession by the NBER.

Sources: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey; U.S. Department of Labor, O*NET.

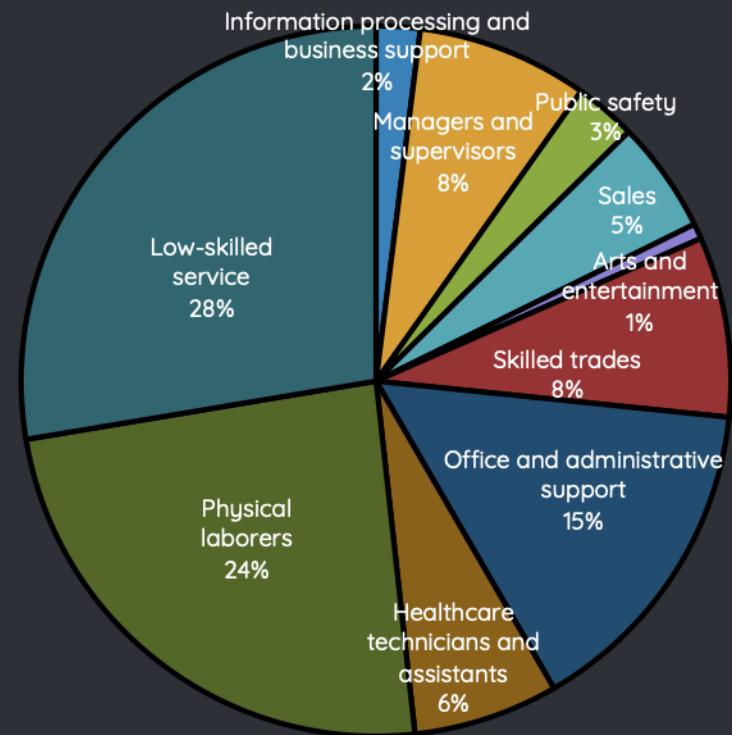
Source: Figure 2. Abel and Deitz, 2019. [Underemployment in the early careers of college graduates following the Great Recession](#). In *Education, Skills, and Technical Change: Implications for Future GDP Growth*. Eds. Hulten and Ramey.

WHERE ARE MILLENNIALS WORKING?

Under-employed college-educated 22-27 year-olds



Employed 22-27 year-olds with no college



Source: Data from Table 2. Abel and Deitz, 2019. [Underemployment in the early careers of college graduates following the Great Recession](#). In *Education, Skills, and Technical Change: Implications for Future GDP Growth*. Eds. Hulten and Ramey. Based on occupational skills calculations from O*NET and CPS employment data.

● WHERE ARE MILLENNIALS WORKING -- DETAILS

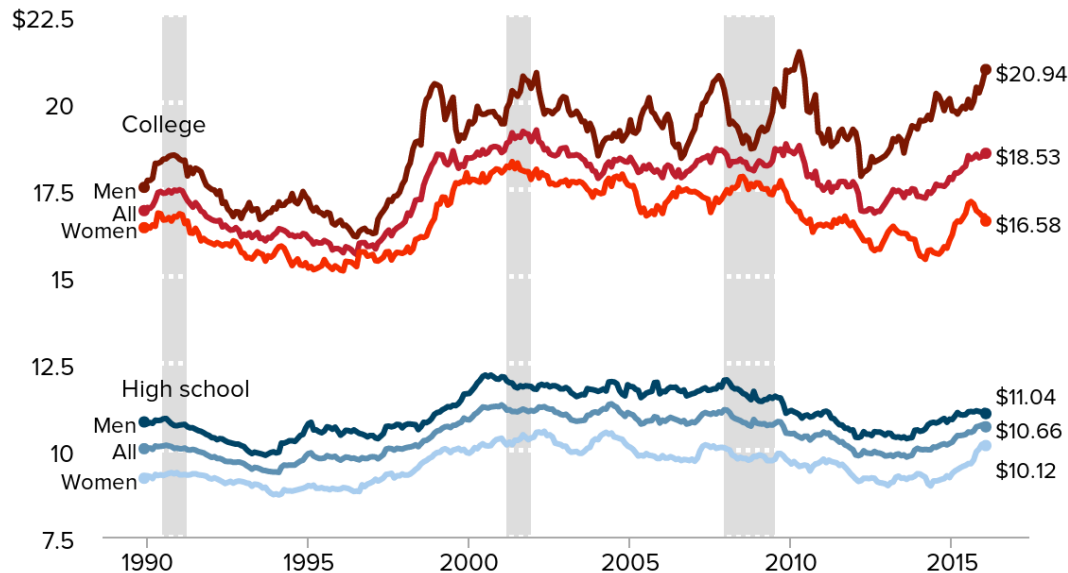
	Average Annual Wage	Sample Jobs
Information processing + business support	\$55,000+	HR worker, tech support
Managers + supervisors	55,000+	First-line supervisor in retail + service
Public safety	\$50,000-\$55,000	Police officer
Sales	\$50,000-\$55,000	Sales rep, retail salesperson
Arts + entertainment	\$48,000	Actor, dancer, musician
Skilled trades	\$35,000-\$40,000	Electrician, plumber
Office + administrative support	\$35,000-\$40,000	Secretary, customer service rep
Health care technicians + assistants	\$35,000-\$40,000	Medical assistant, dental hygienist, nursing aide
Physical laborers	Minimum wage	Roofer, truck driver
Low-skilled service	Minimum wage	Barista, waitstaff, cook

Source: Data from Table 2. Abel and Deitz, 2019. [Underemployment in the early careers of college graduates following the Great Recession](#). In *Education, Skills, and Technical Change: Implications for Future GDP Growth*. Eds. Hulten and Ramey. Based on occupational skills calculations from O*NET and CPS employment data.

YOUNG WORKERS' WAGES HAVE STAGNATED

For most young graduates, wages are no higher than in 2000

Real average hourly wages of young workers, by education and gender, 1989–2016*



* Data reflect 12-month moving averages; data for 2016 represent 12-month average from March 2015 to February 2016.

Note: Data are for college graduates age 21–24 who do not have an advanced degree and are not enrolled in further schooling, and high school graduates age 17–20 who are not enrolled in further schooling. Wages are in 2015 dollars. Shaded areas denote recessions.

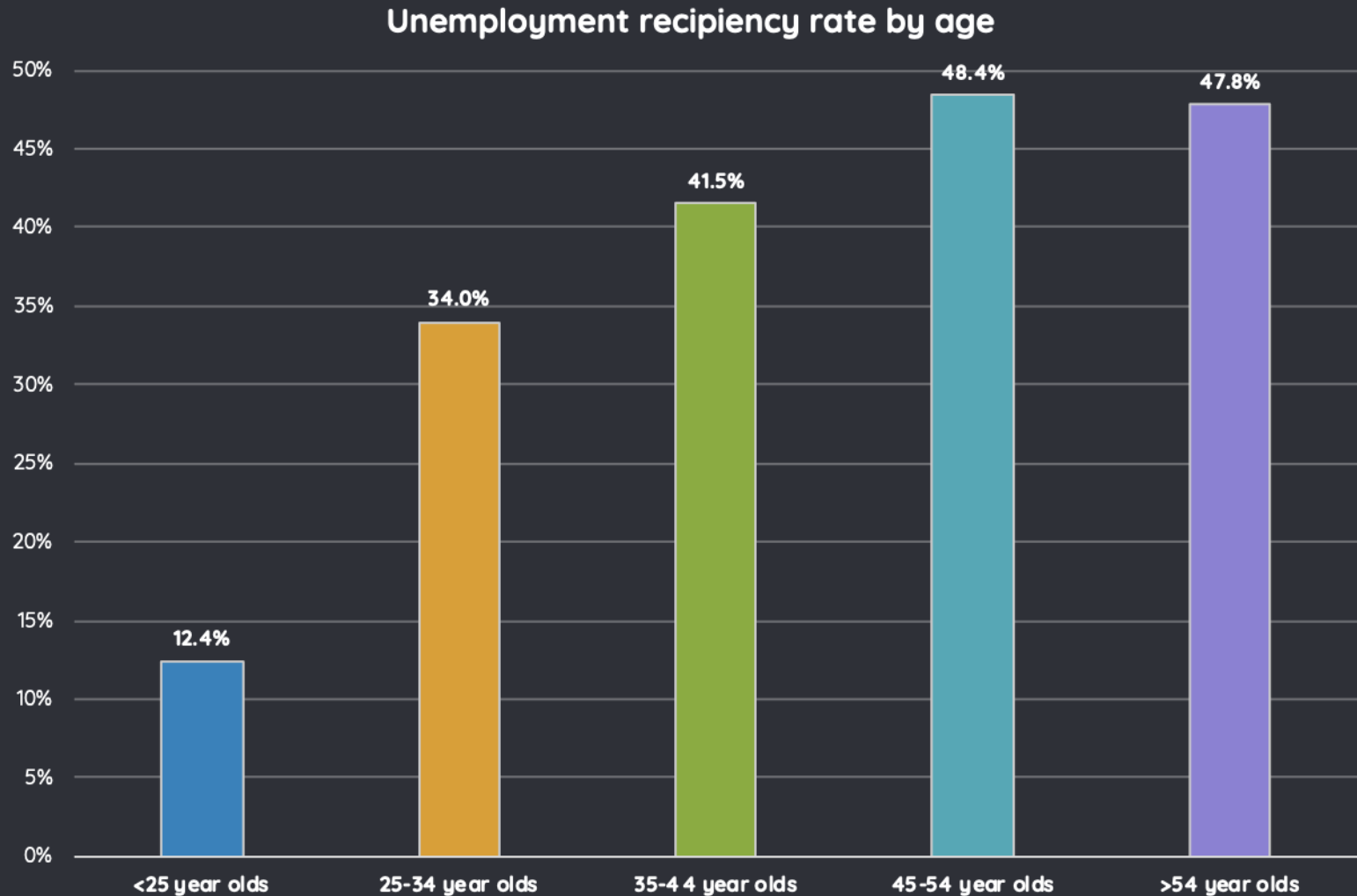
Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

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UNEMPLOYMENT INSURANCE

Are Millennials adequately insured against labor market risk?

UNEMPLOYMENT INSURANCE DOES NOT ADEQUATELY COVER YOUNG WORKERS' LABOR MARKET RISK



Source: Data from Table 1, Woodbury, 2013. [Unemployment Insurance](#). Upjohn Institute Working Paper No.14-2008. Original data are calculated from 2010-2012 March CPS. Weighted percentages are based on samples of individuals who worked at least one week in the year preceding the survey.



WHY DOES UNEMPLOYMENT INSURANCE DO SUCH A POOR JOB FOR YOUNGER WORKERS?

Base periods

Excludes many newer labor market entrants and those with part-time or low-wage jobs.

Limited durations

Short number of weeks available means many exhaust benefits before finding new work.

Barriers to enroll

Technical problems and knowledge of eligibility persist, sometimes by design.

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WHY IS THIS A PROBLEM?

Unemployment insurance plays a key role in both individual economic well-being, and in economic performance.



CONSUMPTION SMOOTHING IS ESPECIALLY DIFFICULT FOR YOUNGER FAMILIES

Fewer assets

Young workers have not had time to build up substantial savings.

Higher debt

Rising cost of college means liabilities are substantially higher and different from those of past generations.

High expenses

Limited access to health insurance, presence of young children, and caregiving responsibilities all put pressure on consumption.



SUBSIDIZED SEARCH PERIODS MAY BE ESPECIALLY VALUABLE TO MILLENNIALS + TO THE ECONOMY AS A WHOLE

Scarring

Cohorts effects for those entering the labor market during times of recession suggest Millennials may be especially vulnerable.

Hiring challenges

Conditional on skills, young job applicants are less likely to be interviewed than prime-age workers.

Low dynamism

Job-to-job switching is especially low for Millennials, indicating depressed levels of opportunity for better jobs.



WHAT IF...

We made unemployment insurance rates
more generous for younger workers?

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Unemployment insurance is a program ... for **income maintenance** during periods of involuntary unemployment due to lack of work, which provides partial compensation for wage loss as a matter of right, with dignity and dispatch to eligible individuals. It helps to **maintain purchasing power** and to **stabilize the economy**. It helps to prevent the dispersal of the employers' trained workforce, the sacrifice of skills, and the breakdown of labor standards during temporary unemployment.

-- U.S. Department of Labor, 1955. [Major Objectives of Federal Policy with Respect to the Federal-State Employment Security Program.](#)