The Real Lost Generation

By Jeff Madrick

In late August, I traveled with colleagues from the Roosevelt Institute in New York to New Orleans, where we had invited a panel of community organizers to join us in discussing youth unemployment. The problem affects every major U.S. city—American teens and young adults have never, since record-keeping began, done worse in the job market than in the past decade—but it is worse in New Orleans than almost anywhere else. The organizers spoke to us of what they called Opportunity Youth, a group defined as those under the age of twenty-four who are neither in school nor working. Opportunity Youth are disproportionately minority men. Many have been incarcerated or suffer from poor health. Some have caregiving responsibilities that overwhelm them. In New Orleans, 23 percent of eighteen- to twenty-four-year-olds are out of school and unemployed; the national number—17 percent—isn’t much better. Researchers estimate that there are 6.7 million young people nationwide who fit the bill.

“It’s criminal,” the economist Andrew Sum told me recently. “No one in Washington is defending them.” Sum is the director of Northeastern University’s Center for Labor Market Studies and is the nation’s leading expert on youth employment. Lately he’s been particularly interested in unemployment among teens. In the past decade, the percentage of teens working summer jobs has fallen nearly to post–World War II lows. The all-time peak, of 58 percent, was in 1978; that figure experienced only minor fluctuations throughout the Eighties and Nineties, and in 2000 it stood at a healthy 52 percent. It is now down to 30 percent. For young people of color the numbers are worse—about one in five for black teens and one in four for Hispanic teens. The farther down a teen’s parents are on the income ladder, the lower this employment rate.

Sum and I are about the same age, and we reminisced about how determined American policymakers once were to ensure that teens could find summer employment. A lot of this determination had to do with fears of social unrest stirred up by the racial violence of the Sixties and, several decades later, the Rodney King riots in Los Angeles. One of the federal government’s responses was to create hundreds of thousands of summer jobs for teenagers at parks, construction sites, and nonprofits. But these programs mostly ended in the early years of the George W. Bush Administration, after a decade of falling crime.

Although it is disheartening in itself that the threat of violence seems to be the sole effective political weapon the youth have, the major concern when they can’t get jobs is not street riots—it’s unproductive lives. Research shows clearly that your odds of staying in school and later getting a good job improve greatly if you have a job as a student. And youth joblessness has repercussions for the broader economy too, with effects rippling through the workforce as teens get older. The employment prospects for those between the ages of twenty and twenty-four have fallen more than for any other age group besides teens. In 2000, 72 percent of those young adults had steady employment; today, only 61 percent do. And when they are able to find work, their jobs don’t pay well: inflation-adjusted wages for men aged sixteen to twenty-four were about 30 percent lower in 2010 than
in 1973. Among young women, wages dropped 11 percent in that time.

The economy is simply not producing enough jobs. Between 1992 and 2000, 18 million people joined the workforce. Between 2000 and 2010, only 2.2 million were able to join. With far fewer jobs available, those with more experience get picked first, while those entering the workforce for the first time get picked last. The recession has exacerbated this trend, as older workers delay retirement in hopes of rebuilding the savings lost in the downturn. Those aged fifty-five and older are the only group whose labor-force participation has actually increased in recent decades. They are taking the part-time jobs kids used to get as store clerks and cashiers. They require less training than their younger counterparts. Those who are working to supplement savings or Social Security payments are especially willing to accept low wages. Meanwhile, recent college graduates are left to take the jobs that once went to high school graduates and even dropouts. Two in five say their jobs do not require a degree.

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What happens when a nation fails its youth? That question is now being asked around the world. This summer, Pope Francis called youth unemployment one of the two gravest global problems (the other being the loneliness of the elderly). Youth unemployment averages 23 percent throughout Europe, which is currently in the throes of a serious recession. At least European nations are openly discussing the issue and suggesting ways to address it. The European Union plans to expand its youth-employment initiatives, setting aside roughly $8 billion over the next seven years to finance work programs in regions where youth unemployment is high. Even German chancellor Angela Merkel, the continent’s staunchest champion of fiscal austerity, supports the effort. Under the Youth Guarantee, EU member states have committed to making sure that anyone under twenty-five who leaves school or becomes unemployed will “receive a high-quality offer of a job, an apprenticeship or a traineeship” within four months. No one is putting forward equivalent plans in the United States, where the employment programs that do exist are being cut back.

Since austerity hawks in Washington seem determined to hamper our recovery before it starts to generate real employment gains, we need to find other ways to improve the lot of young workers. A high proportion of these Americans, more than any other demographic, are not sufficiently prepared to work. After World War II, the United States graduated a higher proportion of teenagers from high school than any other nation in the world. As of 2011, it ranked eighteenth out of twenty-four wealthy nations. More than a million students drop out every year, at a time when educational credentials have become more important than ever in the job market. “Even to work in the fast-food industry, you often need a GED,” Jerome Jupiter of the Youth Empowerment Project told us in New Orleans.

There are now many programs in New Orleans aimed at Opportunity Youth, but the needs of these young people are complex. Local organizers are trying to keep kids in high school while enabling them to work as well. Education matters most, but the school system alone cannot overcome the profound effects of poverty, parental unemployment, drug abuse, and racism. The organizers in New Orleans devote a lot of attention to their kids, which makes these programs extremely labor-intensive.

“The scope and depth of it is paralyzing,” says Cherie LaCour-Duckworth, of the Urban League of New Orleans. “We need to address the root causes as to why youth and young adults are having a difficult time finding employment, not just the sociological results.” One promising factor is the attitude of these young people. According to a 2011 survey by Civic Enterprises, 85 percent of Opportunity Youth recognize the importance of education and a good job to living the life they want, and more than three quarters say that achieving these goals is their personal responsibility. “What makes me hopeful is the kids themselves; they really want
to get an education, get a job, and contribute to society,” says Amy Barad, who directs the Reconnecting Opportunity Youth Initiative at Tulane University. The Civic Enterprise survey finds that most believe they will eventually achieve their goals.

And there are programs across the country that work. Through Project U-Turn, the city of Philadelphia has raised its high school graduation rate from 52 percent in 2006 to 64 percent last year. In Cincinnati, a nonprofit called Strive has obtained striking results in preparing children for kindergarten, improving high school graduation rates, and raising fourth graders’ reading and math scores. Results in Boston and Chicago have been less dramatic but still encouraging.

An expansion of these programs could bring vast improvements. If the employment-to-population ratio were the same today as it was in 2000, there would be nearly 3.6 million more teens with summer jobs and 2.4 million more young adults with full-time work. Yet the federal government has essentially turned its back on the young. In 1993, Bill Clinton signed a bill creating AmeriCorps, a domestic program modeled on the Peace Corps, which enrolls eighteen- to twenty-four-year-olds in intensive community-service work in exchange for stipends, health-care coverage, and job training. Since 2005, efforts to expand the program have gone nowhere. Another notable federal program, YouthBuild, provides young people jobs constructing affordable housing while they complete a GED or earn a high school diploma, but its $80 million of federal funding is now being cut back under congressional sequestration.

Any wide-ranging solutions will require the broad collaboration of government at all levels with nonprofit organizations, universities, and businesses. The programs that exist require more support. Initiatives like AmeriCorps could be expanded, and perhaps linked to college-debt forgiveness. The best bet for funding in these times of public and private budgetary cutbacks may be tax credits for companies who hire teens and first-year college graduates.

But no one in Washington says a word about the youth-employment crisis, Sum told me. Our failure to address the problem, he explained, will lead to long-term difficulties for the economy. Without good work prospects, young people will pay less in taxes over the years and depend more on Medicaid, food stamps, and other social assistance; the prison population will continue to grow. Academic researchers have put hard numbers on what each Opportunity Youth is costing America. A report published in 2012 put the lifetime figure at more than a million dollars in lost tax revenues and increased social costs. With an estimated 6.7 million Opportunity Youth in America right now, the total lost wealth will be well into the trillions of dollars. And this, of course, does not account for less quantifiable impacts. The disconnection of youth from jobs and school has led to declines in the marriage rate, household formation, and home ownership—to unhappy and unstructured lives. This is an American tragedy, and its dimensions are growing.

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