



Middle-Out for Millennials

Creating Jobs for Young People

By Sarah Ayres and Molly Dillon November 4, 2013

Introduction

The latest employment figures from the U.S. Department of Labor show that young Americans continue to be left behind in America's plodding economic recovery. At 14.8 percent, the unemployment rate for workers under the age of 25 is more than twice the national rate of 7.2 percent.¹ According to our research, each unemployed young worker today will go on to earn \$22,000 less over the next 10 years due to reduced wages.² And youth unemployment is not just a youth problem—its fiscal and economic consequences have the potential to hold back America's growth for years to come. As documented in the Center for American Progress report "America's 10 Million Unemployed Youth Spell Danger for Future Economic Growth," the American economy is not working for Millennials.³ Millennials' parents and grandparents, when they were the same age as today's Millennials, had a decent shot at achieving middle-class goals, such as owning a home, providing for a family, retiring securely, and indulging in the occasional vacation or dinner out. But today, too many Millennials are unemployed, drowning in debt, and lucky to just make ends meet each month. The economic challenges facing young people are serious, but the right set of policies can create opportunities for this generation and help ensure America's long-term prosperity. An economy that works for Millennials is one that expands and strengthens the middle class—and that starts with ensuring that young Americans who want to work are able to find a job.

Not only do high levels of unemployment hurt young people today, they also limit Millennials' economic prospects in the future.⁴ Research shows that workers who experience an extended period of unemployment at a young age earn lower wages once they do find a job. What's more, they will continue to earn lower wages even years later as a result of the missed opportunity to develop human capital in their 20s. A young person who is unemployed for just six months can expect to earn about \$22,000 less over the next 10 years than they could have expected to earn had they not experienced a lengthy period of unemployment.⁵ Based on this finding, according to our analysis, Millennials will lose more than \$20 billion in reduced wages over the next decade due to high unemployment today.⁶

High youth unemployment is not just a youth problem, as the consequences spill over into the broader economy. When young people have less money to spend, they put less money into the economy through the purchase of houses, cars, various gadgets, dinners out, and other services. As a result of this reduced consumer demand, businesses sell fewer products, make lower profits, and create fewer jobs. Moreover, youth unemployment creates fiscal costs for the nation in the form of lost revenues, the need for government-provided health care, costs associated with increased crime, and additional welfare payments. A recent study commissioned by the White House Council for Community Solutions pegged the cost to taxpayers of today's unemployed youth at \$1.6 trillion over the course of their lifetimes.⁷ It is clear, then, that America's long-term economic and fiscal health depends on our ability to create good jobs for the Millennial generation.

In this brief, we discuss policies that Congress can enact now to put young Americans to work. Lawmakers can boost jobs for this generation by expanding national service opportunities, which give workers experience serving their communities; by implementing a summer jobs program such as the one in the American Recovery and Reinvestment Act, which successfully created jobs for hundreds of thousands of teens and young adults in 2009 and 2010;⁸ and by investing in broad-based job creation that reduces our overall unemployment rate and hastens the economic recovery.

Expand national service opportunities

Congress should substantially expand national service opportunities by creating new national service corps with the goal of offering 1 million service positions, supporting the creation of a national service certification system, and fully implementing the Edward M. Kennedy Serve America Act. Existing national service programs such as AmeriCorps have successfully provided more than 800,000 young Americans with the opportunity to develop valuable skills and work experience, pursue higher education, and explore careers—all while serving communities that face rising poverty rates, decreasing philanthropic giving, and deep cuts to federal and state anti-poverty resources.⁹ Demand for AmeriCorps positions is five times the current number of slots; young people want to volunteer, but our current system cannot handle the requests. Expanding national service opportunities can help mitigate high levels of youth unemployment by connecting young workers to the labor force immediately and improving their employment outcomes and job skills later in life.

The demand for national service continues to rise. Nonprofits, schools, and public agencies are currently experiencing record-high demand for their services at the same time that fiscal austerity and tightened budgets have forced them to cut back on staff.¹⁰ Millennials want to meet this demand. Public polling has shown that Millennials are the most service-oriented generation, with 43 percent of Millennials volunteering compared to only 35 percent of Baby Boomers.¹¹ This enthusiasm for volunteering shows up in

the overwhelming number of Americans who apply for a limited number of positions in our national service programs. AmeriCorps received a record 582,000 applications for a mere 80,000 positions in 2011.¹² The Peace Corps received 150,000 requests for applications for their 4,000 annual positions in 2011.¹³

Expanding national service opportunities can help reduce the negative effects of youth unemployment. While the positions are low-wage and temporary, they effectively connect young people to the workforce, provide health insurance and other benefits, and even offer awards that can be used to pay for college or repay existing student loans.¹⁴ Moreover, research has also shown that participants experience long-term benefits as a result of their service. Participating in AmeriCorps, for example, has been shown to improve employment outcomes and job skills later in life.¹⁵ Another recent study found that unemployed individuals who volunteer are 27 percent more likely to secure a job than those who do not volunteer, as a result of the social connections and skills gained through volunteering.¹⁶ Hiring managers prefer college graduates who have volunteer experience to those who do not.¹⁷ These benefits point to expanded national service as a key tool for boosting Millennials' employment prospects.

Establish new national service corps and 1 million national service positions

Congress should establish new national service corps with a goal of offering 1 million national service positions. The Edward M. Kennedy Serve America Act outlined potential new service corps, including an education corps, a “Healthy Futures” corps, a clean energy service corps, a veterans corps, and an “Opportunity” corps that would help meet the unmet needs of low-income communities.¹⁸ The Franklin Project, a new initiative by the Aspen Institute, has set a target of offering 1 million national service positions by creating a number of new service corps, including a variety of professional corps that hire young professionals to offer critical legal, financial, and digital services to communities in need.¹⁹

Support the creation of an online national service certification system

The National Conference on Citizenship, in partnership with the Franklin Project, is developing an online national service certification system that allows qualified nonprofit organizations to apply and be recognized for offering national service positions. National service is currently limited to organizations that receive public support through AmeriCorps—support that is insufficient to meet today's tremendous demand for positions. Creating a national service certification system would enable many more organizations to offer positions, provided they meet the quality standards established by the Corporation for National and Community Service.²⁰ In addition, establishing a searchable system that mirrors job-search websites such as Monster.com would provide

young people with a quick and easy way to search a comprehensive listing of paid service opportunities offered by the Peace Corps, AmeriCorps and certified national service organizations.²¹ State and local government agencies, schools, and higher-education institutions—as well as nonprofit organizations and social enterprises—should develop positions that can be certified through the new system.

Fully implement the Edward M. Kennedy Serve America Act

Finally, Congress should fully implement the Edward M. Kennedy Serve America Act, which authorized the addition of 250,000 AmeriCorps positions by 2017.²² Despite the passage of this bipartisan legislation in 2009, Congress provided funding for only about 80,000 AmeriCorps slots in 2012.²³ Making matters even worse, sequestration will result in the elimination of more than 4,000 AmeriCorps positions.²⁴ While establishing 250,000 new AmeriCorps positions falls short of our proposed goal of 1 million service opportunities, it would be a step in the right direction.

Create summer and year-round jobs for youth

Congress should establish a program to support jobs for young workers based on the successful programs included in the American Recovery and Reinvestment Act, which created more than 370,000 summer jobs for young Americans in 2009 and 2010.²⁵ The 2009 summer youth jobs initiative—which placed young people in summer jobs and paid their wages—produced important benefits for both the young workers and their employers. According to an independent evaluation of the program, young workers reported that they valued the opportunity to hold a job, gain work skills, boost their resumes, and gain exposure to professional environments—experiences that allowed them to build their human capital and long-term job prospects.²⁶ Employers, which included public agencies, nonprofit organizations, and private businesses, were “overwhelmingly positive” about the program, and almost all reported that they would jump at the opportunity to participate again.²⁷

In addition to summer jobs, year-round jobs for youth are also necessary to reduce youth unemployment rates, augment families’ incomes, and improve young workers’ long-term economic prospects. Creating year-round job opportunities can establish pathways to the workforce for the 4.1 million high school dropouts and high school graduates under age 25 who are currently neither working nor in school.²⁸

President Barack Obama proposed a \$2.5 billion fund to support summer and year-round jobs for low-income youth ages 16 to 24 as part of the Pathways Back to Work Fund in his fiscal year 2014 budget.²⁹ Similarly, the U.S. Senate recently approved a measure to establish a \$1.5 billion youth jobs program.³⁰ Implementing one of these programs would lead to the creation of at least 400,000 job opportunities for young Americans.³¹

Invest in broad-based job creation

Congress should put Americans of all ages back to work by rebuilding America's crumbling infrastructure, rehiring teachers and other public service workers, and creating pathways to employment for low-income and long-term unemployed workers. Young Americans need targeted job-creation measures, but young workers will also benefit from a comprehensive jobs agenda that gets Americans of all ages working, reduces the stubbornly high overall unemployment rate, and hastens the pace of our economic recovery.

The president's proposed American Jobs Act of 2011 included a number of provisions that, had they been enacted, would have increased America's gross domestic product by 1.4 percentage points, boosted employment by more than 1.6 million jobs by the end of 2012, and reduced the unemployment rate by 0.5 to 0.7 percentage points.³² The American Jobs Act never became law, but it is not too late for lawmakers to enact some of its much-needed job-creation measures.

Rebuild America's transportation infrastructure

Congress should immediately invest \$50 billion to put Americans to work rebuilding our nation's crumbling infrastructure. The American Society of Civil Engineers gives the nation's infrastructure a near failing grade of "D."³³ As a result of delayed maintenance and underinvestment in transportation infrastructure, Americans face longer commutes, billions of dollars in gasoline wasted sitting in traffic, frustrating airport delays, rising costs for manufacturers, and declining competitiveness in the global marketplace. According to the World Economic Forum's 2013 "Global Competitiveness Report," the United States now ranks 15th on key global indicators for infrastructure quality among 142 nations—down from 7th in 2008.³⁴

It should come as no surprise, then, that there is widespread agreement across the political spectrum that the roads, bridges, railroads, and airports that comprise America's transportation infrastructure are in desperate need of repair. Even the American Federation of Labor and Congress of Industrial Organizations, or AFL-CIO, and the U.S. Chamber of Commerce, two organizations that are frequently at odds, have teamed up to press lawmakers to increase infrastructure spending.³⁵

A strong investment in infrastructure will put hundreds of thousands of construction workers back on the job, expanding employment opportunities for young people today. In 2012, there were 750,000 Americans under age 25 who worked in construction—down from 1.5 million in 2007.³⁶ Investing in infrastructure will increase that number, but, perhaps more importantly, it will create jobs in a range of other industries as construction companies purchase new materials and equipment. Building a new bridge,

for example, creates jobs for bridge-construction workers, and it also creates jobs for workers who manufacture fabricated-metal bridge sections.³⁷ Economists estimate that for every \$1 billion we spend on infrastructure, we create between 10,000 and 15,000 of these direct and indirect jobs.³⁸ Moreover, investing in infrastructure will reduce transportation costs and improve delivery times for U.S. businesses, bolstering America's international competitiveness and economic growth for years to come.

Rehire America's teachers and first responders

Congress should invest \$35 billion to rehire some of the hundreds of thousands of teachers and other public service workers who lost their jobs in the aftermath of the Great Recession. Austerity at all levels of government has led to unprecedented public-sector layoffs, which hurt both the citizens who rely on public services and the broader economy that depends on public-sector workers as an important source of consumer demand. According to an analysis by the Economic Policy Institute, public-sector job cuts cost the private sector 750,000 jobs in the first three years of the recovery.³⁹

A \$35 billion investment in public service jobs will support the jobs of hundreds of thousands of teachers, police officers, and firefighters. The proposed American Jobs Act of 2011 would have prevented the layoffs of 280,000 teachers and protected first-responder jobs.⁴⁰ Furthermore, keeping educators in the classroom is crucial to developing a well-educated workforce, laying the foundation for future economic growth.

Create pathways to employment for the unemployed

Congress should invest \$8 billion in creating subsidized employment opportunities for low-income and long-term unemployed workers, as proposed in President Obama's FY 2014 budget as part of the Pathways Back to Work Fund. This proposal is based on a highly successful Recovery Act program, which created a \$5 billion Temporary Assistance for Needy Families, or TANF, Emergency Contingency Fund that states used to provide subsidized employment to low-income adults and youth. An analysis of the program by researchers at the Center on Budget and Policy Priorities and the Center for Law and Social Policy found that it placed more than 260,000 low-income adults and youth in paid jobs during a time of high unemployment, supported local economies by putting money into the hands of the people most likely to spend it, helped businesses weather the recession, and helped workers maintain a connection to the labor force and build new skills.⁴¹

Conclusion

Today's high levels of youth unemployment threaten Millennials' short- and long-term economic security, as well as America's prospects for broad economic growth. We simply cannot afford to keep more than 10 million young Americans out of full-time work.⁴² Fortunately, there are solutions that lawmakers can enact today to create jobs for Millennials, strengthen the middle class, and ensure that this generation contributes to America's economic growth for years to come. But members of Congress must redirect their efforts away from damaging, short-sighted federal budget cuts to smart, sensible policies that will spur faster economic growth. The policies outlined in this issue brief—expanding national service opportunities, creating summer jobs for young people, and investing in broad-based job creation by rebuilding America's infrastructure and rehiring teachers and first responders—will put young Americans to work and jump-start our nation's slow economic recovery.

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Endnotes

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