



EPI TESTIMONY

TESTIMONY OF

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SUBCOMMITTEE ON ECONOMIC POLICY

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Dreams Deferred: Young Workers and Recent Graduates in the U.S. Economy

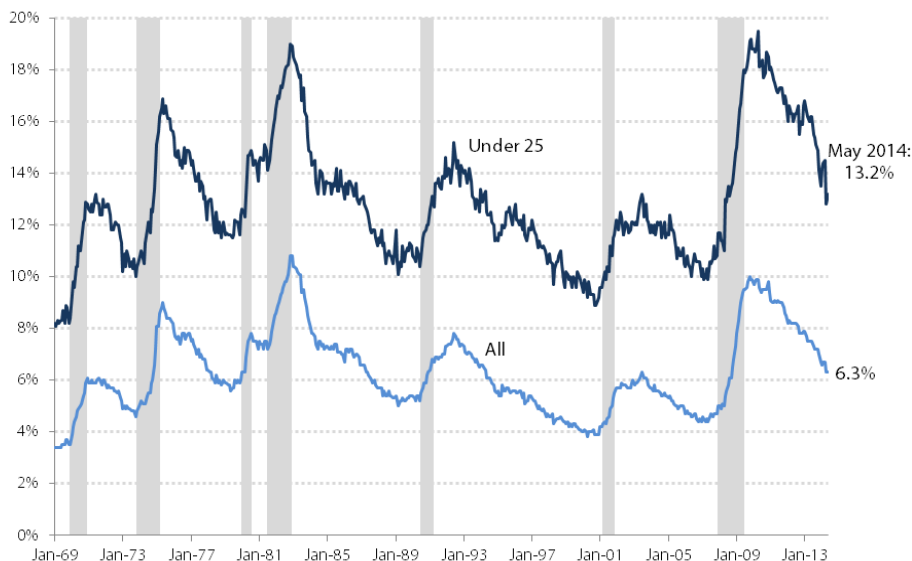
Good afternoon Chairman Merkley, Ranking Member Heller, and other distinguished members of the Subcommittee. My name is Heidi Shierholz, and I am a labor market economist at the Economic Policy Institute in Washington, D.C. I appreciate the opportunity to appear before you today to discuss young workers in the U.S. economy.

The Great Recession officially ended in June 2009, five years ago this month. However, the labor market has made agonizingly slow progress toward a full recovery, and the slack that remains continues to be devastating for workers of all ages. The U.S. labor market still has a deficit of [nearly 7 million jobs](#), and the unemployment rate has been at 6.3 percent or higher for more than five-and-a-half years. (In comparison, 6.3 percent was the highest the unemployment rate ever got in the early 2000s downturn, for *one month* in 2003.) Though the labor market is headed in the right direction, it is improving very slowly, and the job prospects for young high school and college graduates remain dim.

In good times and bad, unemployment rate about twice as high for young workers

In economic recessions as well as expansions, the unemployment rate of young workers (those under age 25) is typically a little more than twice as high as the overall unemployment rate. On average between 1989 and 2007, the unemployment rate of workers under age 25 was 2.2 times as high as the overall unemployment rate (see **Figure A**). This trend persists over time because young workers are relatively new to the labor market—often looking for their first or second job—and they may be passed over in hiring decisions due to lack of experience. As for young workers who are already employed, their lack of seniority makes them likely candidates for being laid off if their firm falls on hard times or is restructuring. Young workers also tend to be more mobile than older workers, moving between employers, careers, or cities, and thus spend a larger share of their time as job seekers.

Figure A: Unemployment rate of workers under age 25 and all workers, 1969–2014



Note: Shaded areas denote recessions. Data are seasonally adjusted.

Source: Economic Policy Institute analysis of Bureau of Labor Statistics Current Population Survey public data series

The historical fact that the unemployment rate of young workers tends to be a little more than twice the overall rate continues to be true today. In May, the overall unemployment rate was 6.3 percent, and the unemployment rate of workers under age 25, at 13.2 percent, was 2.1 times as high.

This raises two key points. First, because the unemployment rate of young workers is typically slightly more than twice as high as the overall rate, young workers experience much greater-than-average increases in unemployment during economic downturns. When the overall unemployment rate is elevated by 1 percentage point, the unemployment rate of young workers will likely be elevated by around 2 percentage points.

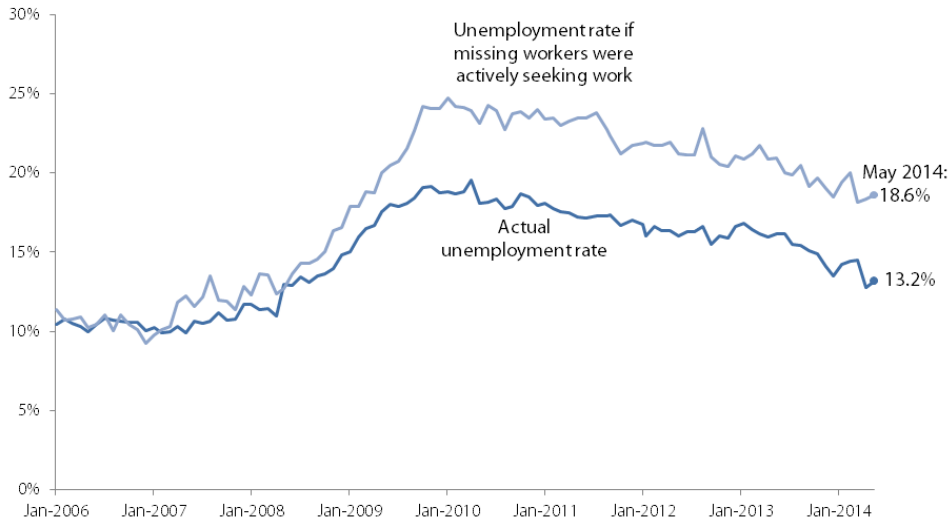
Second, the dire situation young workers face today *is not unexpected* given overall labor market weakness. In other words, unemployment of young workers is extremely high today not because of something unique about the Great Recession and its aftermath that has affected young people in particular. Rather, it is high because young workers *always* experience disproportionate increases in unemployment during downturns—and the Great Recession and its aftermath is the longest, most severe period of economic weakness in more than seven decades.

“Missing” young workers

At 13.2 percent, the unemployment rate of workers under age 25 is far higher than it was before the recession began; in 2007 their unemployment rate was 10.5 percent. However, in today’s labor market, the unemployment rate—as elevated as it is—drastically understates the weakness of job opportunities. This is because there are currently a huge number of “missing workers”—potential workers who are neither employed nor actively seeking work simply because job opportunities remain so scarce. Because jobless workers are only counted as unemployed if they are actively seeking work, these missing workers are not reflected in the unemployment rate. The number of young missing workers shot up to 1.6 million between early 2007 and early 2010, and has since declined slightly to its current level of 1.4 million. It is important to note that this calculation of missing workers takes into account long-run trends in labor force participation, such as lower labor force participation of young people due to increasing college enrollment over recent decades. (The methodology for calculating the number of missing workers is described in [EPI 2014](#).) But it is also true that today’s missing young workers have not been able to “shelter in school” from the labor market effects of the Great Recession. Increases in college and university enrollment rates between 2007 and 2012 were no greater than the increases seen before the recession began—and since 2012, college enrollment rates have dropped substantially. This is discussed in more depth in the section “Young people are not ‘sheltering in school.’”

Figure B shows that if the missing young workers were in the labor force looking for work—and thus counted as unemployed—the unemployment rate for young workers would be 18.6 percent instead of 13.2 percent. In other words, the unemployment rate in today’s recovery greatly understates how difficult it is for workers to find a job.

Figure B: Unemployment rate of workers under age 25, actual and if missing workers* were looking for work, January 2006–May 2014



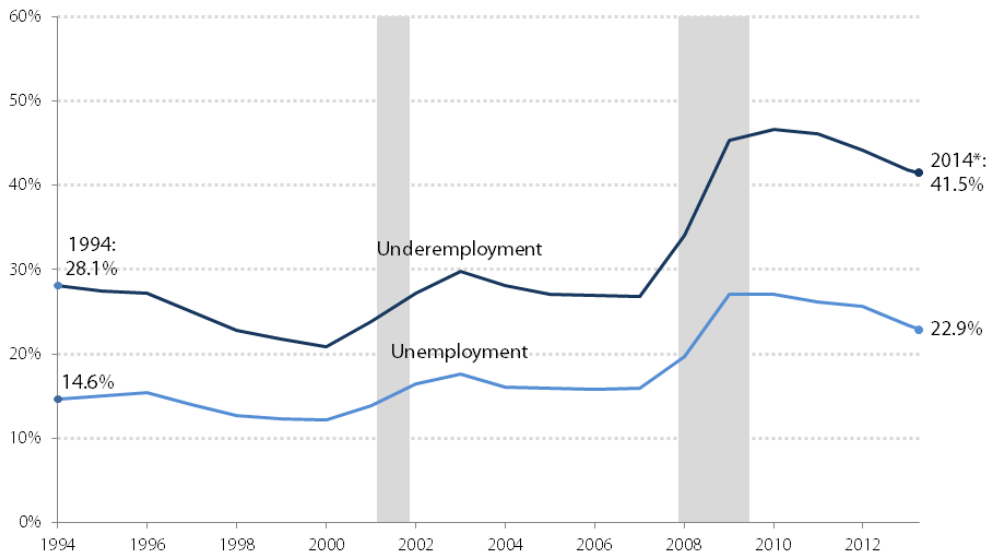
* Potential workers who, due to weak job opportunities, are neither employed nor actively seeking work
Source: EPI analysis of Mitra Toossi, "Labor Force Projections to 2016: More Workers in Their Golden Years," Bureau of Labor Statistics Monthly Labor Review, November 2007; and Current Population Survey public data series

For young high school graduates, very high unemployment and underemployment

Another more comprehensive measure of labor market slack than the unemployment rate is the "underemployment rate" (officially, the U-6 measure of labor underutilization). In addition to the unemployed (jobless workers who report that they are actively seeking work), the underemployment rate also includes those who work part time but want full-time work ("involuntary" part timers), and those who want a job and have looked for work in the last year but have given up actively seeking work ("marginally attached" workers).

Figure C presents data on both unemployment and underemployment among young high school graduates (those age 17–20 who are not enrolled in further schooling). Currently, while the unemployment rate of young high school graduates is 22.9 percent, their *underemployment* rate is above 40 percent (41.5 percent). In other words, in addition to the officially unemployed, a significant share of young people either want a job but have simply given up looking for work, or have a job that does not provide the hours they need.

Figure C Unemployment and underemployment rates of young high school graduates, 1994–2014*



*Data for 2014 represent 12-month average from April 2013–March 2014

Note: Shaded areas denote recessions. Underemployment data are only available beginning in 1994. Data are for high school graduates age 17–20 who are not enrolled in further schooling.

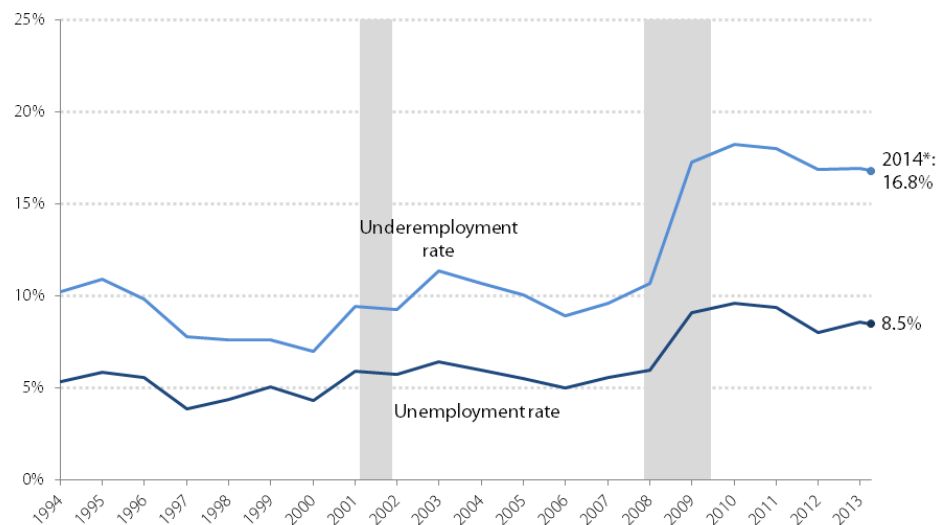
Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata

Young college graduates also struggle to find work, often end up in jobs that don't require a college degree

By attending and finishing college, young college graduates have made a significant down payment on their career in terms of both time and money, and they typically have very high labor force participation. And because a college degree affords more opportunities in the labor market—not least of which is the fact that college graduates are often more competitive relative to non-college graduates when it comes to landing jobs not requiring a college degree—unemployment among young workers with a college degree is substantially lower than among other young workers. However, young college graduates' job prospects have deteriorated dramatically since the start of the Great Recession.

Figure D presents unemployment and underemployment data for young college graduates age 21–24 who are not enrolled in further schooling. Currently, while the unemployment rate of this group is 8.5 percent, the underemployment rate is almost twice that, at 16.8 percent. In other words, in addition to the substantial share who are officially unemployed, a large swath of these young, highly educated workers either have a job but cannot attain the hours they need, or want a job but have given up looking for work.

Figure D Unemployment and underemployment rates of young college graduates, 1994–2014*



*Data for 2014 represent 12-month average from April 2013–March 2014

Note: 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. Shaded areas denote recessions.

Source: Economic Policy Institute analysis of Current Population Survey microdata

Although the measure of underemployment used in Figures C and D—the U-6 measure of labor underutilization—includes hours-based underemployment (i.e., part-time workers who want full-time work), it does *not* include “skills/education-based” underemployment (e.g., the young college graduate working as a barista). A recent paper by researchers at the Federal Reserve Bank of New York (Abel, Deitz, and Su 2014) offers insight into skills/education-based underemployment of recent college graduates. They categorize occupations according to whether the U.S. Department of Labor’s Occupational Information Network (O*NET) characterizes them as requiring a four-year college degree, and calculate what share of recent college graduates with jobs are working in jobs that actually require a college degree. First, it is important to note that even in good economic times, a surprisingly high share of young college graduates work in jobs that do not require their college degree. For example, in 2000—when jobs were plentiful and the unemployment rate was 4.0 percent—36 percent of employed college graduates age 22–27 worked in jobs that did not require a college degree. No matter how strong the labor market is, recent college graduates often require some time to transition into the labor market.

However, the share of young college graduates working in jobs not requiring a college degree increased over the weak 2000–2007 business cycle, increased further in the Great Recession, and has not yet begun to improve. In 2007, 38 percent of employed college graduates under age 27 were working in a job that did not require a college degree, and this share increased to 44 percent by 2012. Furthermore, the “non-college” jobs that workers with a college degree are ending up in are of lower quality now than they used to be. In 2000, half of recent college graduates who were in a job that did not require a college degree were nevertheless in a “good” job that tended to be career-oriented and fairly well compensated—such as electrician, dental hygienist, or mechanic. That share has dropped substantially, while at the same time, there has been an increase in the share of recent college grads who are in very low-wage jobs, such as bartender, food server, or cashier. The bottom line is that for recent college graduates, finding a good job has become much more difficult. These findings are consistent with other research finding that among the workforce as a whole, there has been a decline in the demand for “cognitive skills” since 2000 (Beaudry, Green, and Sand 2013).

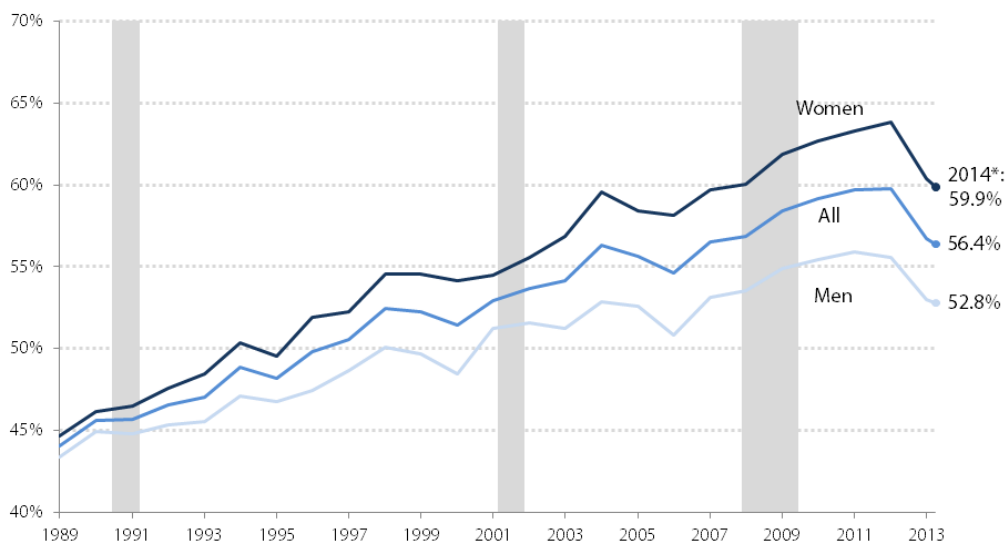
These trends also underscore that the unemployment crisis since 2007 among young workers more broadly did not arise because young people today lack enough education or skills. Rather, it stems from weak demand for goods and services, which makes it unnecessary for employers to significantly ramp up hiring. For more on the fact that today’s labor market weakness is due to weak demand and not workers lacking the right skills or education, see [Shierholz \(2014\)](#).

Young people are not “sheltering in school”

Educational opportunity is often identified as a possible silver lining to the dark cloud of unemployment and underemployment that looms over today’s young graduates. The assumption is that a lack of job opportunities propels young workers to “shelter” from the downturn by attaining additional schooling, which may improve their long-run career prospects. *However, there is little evidence of an uptick in enrollment due to the Great Recession, and since 2012 college enrollment has plummeted.*

Figure E shows the share of young high school graduates (age 17–20) enrolled in college or university. This share has greatly increased over time (from 44.1 percent in 1989 to 56.4 percent most recently), with particularly steep increases for women (44.6 percent to 59.9 percent) compared with men (43.4 percent to 52.8 percent). Notably, increases in enrollment between 2007 and 2012 were no greater than what had been happening before the Great Recession began. The overall enrollment rate increased 0.7 percentage points per year on average between 2000 and 2007, and it also increased 0.7 percentage points per year between 2007 and 2012 (for women, the increase was 0.8 percentage points per year for both periods, while for men, the increase in the two periods was 0.7 percentage points per year and 0.5 percentage points per year, respectively). In other words, there is little evidence of a Great Recession–induced increase in enrollment. *And since 2012, enrollment rates for both men and women have dropped substantially.*

Figure E Share of young high school graduates enrolled in college or a university, by gender, 1989–2014*



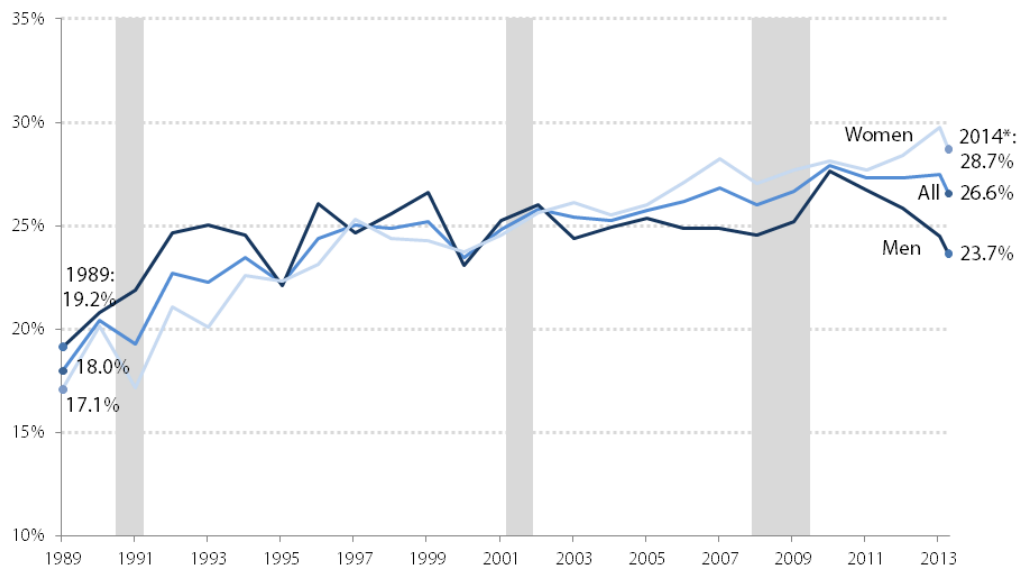
*Data for 2014 represent 12-month average from April 2013–March 2014

Note: Shaded areas denote recessions. Data are for high school graduates age 17–20 who may have previous college experience.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata

Figure F shows the share of young college graduates (age 21–24) enrolled in additional schooling (for example, to get a master’s degree). This share has also greatly increased over time (from 18.0 percent in 1989 to 26.6 percent most recently), also with particularly steep increases for women (17.1 percent to 28.7 percent) compared with men (19.2 percent to 23.7 percent). The trends in Figure F are quite volatile due to small sample sizes, but they show that increases in enrollment of college graduates since 2007 were no greater than what had been happening before the Great Recession began. The overall enrollment rate increased 0.5 percentage points per year on average between 2000 and 2007, while it did not increase at all on average since 2007 (for women, the average increase was 0.6 percentage points per year from 2000 to 2007 and 0.1 percentage points per year since then, while for men, the average increase from 2000 to 2007 was 0.3 percentage points per year, while their enrollment *declined* by an average of 0.2 percentage points per year since 2007). Again, there is little evidence of a Great Recession–induced increase in enrollment.

Figure F Share of young college graduates enrolled in further education, by gender, 1989–2014*



*Data for 2014 represent 12-month average from April 2013–March 2014

Note: Data are for college graduates (Bachelor’s degree only) age 21–24. Shaded areas denote recessions.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata

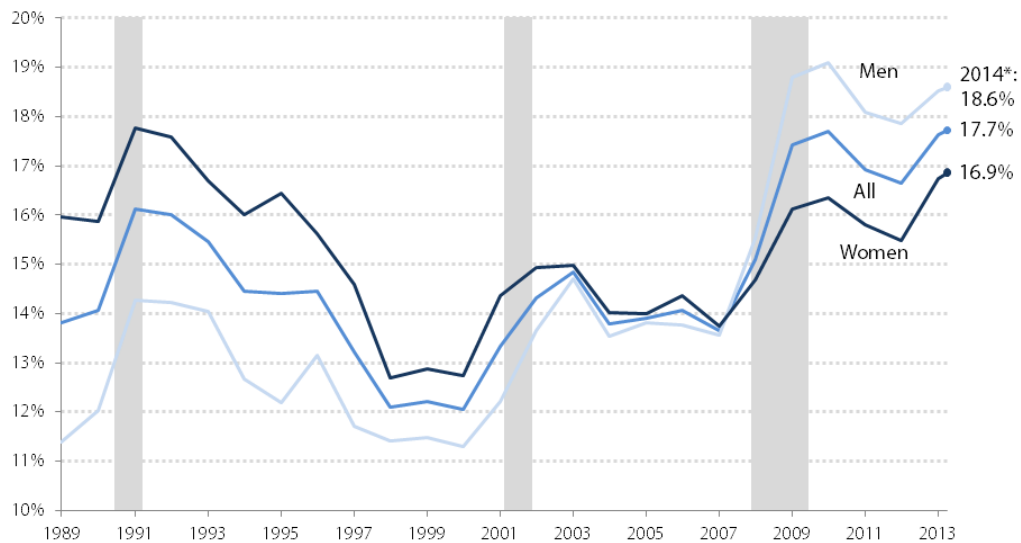
That enrollment has not meaningfully increased above its long-run trend despite the lack of job opportunities in the Great Recession and its aftermath is likely due largely to an often-overlooked fact: *Students and workers are not distinct groups*. Many students must work to pay for school or cover living expenses. In 2007, before the recession began, more than half (51.2 percent) of college students under age 25 were employed. By 2013, the share had dropped to 44.7 percent. For students who must work to afford school, but cannot find work due to the poor labor market, “sheltering in school” is not an option. Furthermore, many students depend on the support of their parents to get through college, and if their parents saw the value of their home drop when the housing bubble burst, or have had bad labor market outcomes in the aftermath of the Great Recession, that avenue to college may also be unavailable (see, for example, Lovenheim and Reynolds 2013). In this downturn, certainly some students have had the financial resources to take shelter in school. However, the lack of a Great Recession–induced increase in enrollment suggests this group has been more than offset by students who have

been forced to drop out of school, or never enter, because the effects of the bursting of the housing bubble and the ensuing Great Recession meant they could not afford to attend.

Number of young workers neither enrolled nor employed rises

The lack of a Great Recession–fueled increase in college or university enrollment, combined with the lack of job prospects, means a large share of young graduates are now idled, or “disconnected”—that is, neither enrolled nor employed. These young graduates are disconnected from two main paths—work experience or further education—that they could follow to begin setting themselves up for their future. **Figure G** shows the share of young high school graduates age 17–20 who are neither enrolled nor employed. In 2007, 13.7 percent of young high school graduates fell into this category, and that share spiked to 17.7 percent in 2010. It declined between 2010 and 2012, but because of the drop in enrollment since 2012, has shot back up to 17.7 percent. In other words, the share of young high school graduates who are now idled has made *no* sustained improvement in this recovery. The increase since 2007 was larger for young male high school graduates (from 13.6 percent to 18.6 percent) than young female high school graduates (from 13.8 percent in 2007 to 16.9 percent).

Figure G Share of young high school graduates not enrolled in college or a university and not employed, by gender, 1989–2014*



*Data for 2014 represent 12-month average from April 2013–March 2014

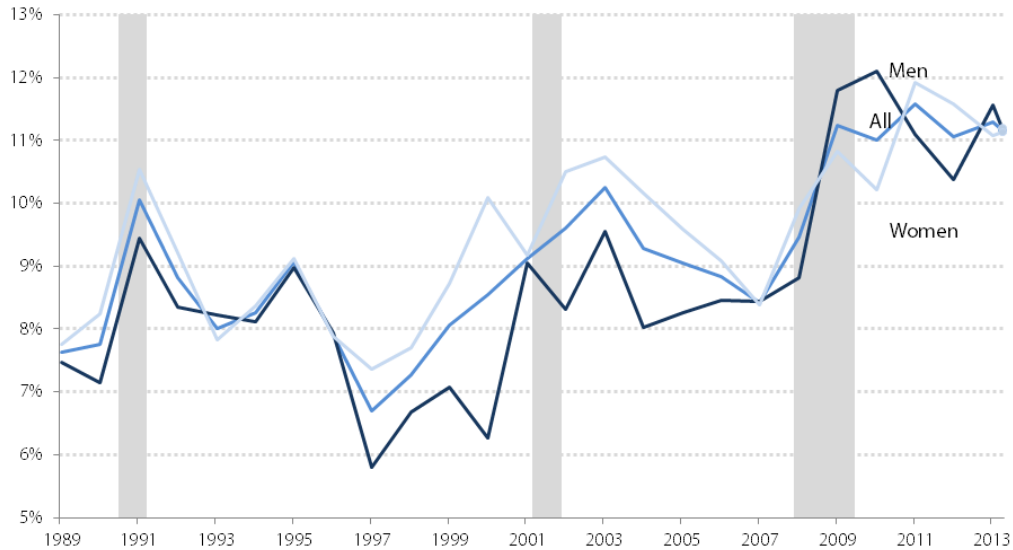
Note: Shaded areas denote recessions. Data are for high school graduates age 17–20 who may have previous college experience. “Not employed” includes those who are unemployed and those who are not in the labor force.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata

Figure H shows the share of young college graduates age 21–24 who are neither enrolled nor employed. In 2007, 8.4 percent of young college graduates fell into this category, and that share spiked to 11.6 percent in 2011. It has since declined only modestly, to 11.2 percent. The pattern was quite similar for men and women, though the male share peaked in 2010 while the female share peaked in 2011. *The “disconnection rates” for both young high school graduates and young college graduates remain 1.3 times as high as they were before the recession began.* The increase in the share of disconnected young people represents an enormous loss of

opportunities for this cohort, as the loss of work experience or further education will have a lasting negative impact on their lifetime earnings. The long-term scarring effects of the Great Recession and its aftermath on young graduates are discussed in depth below.

Figure H Share of young college graduates not enrolled in college or a university and not employed, by gender, 1989–2014*



*Data for 2014 represent 12-month average from April 2013–March 2014

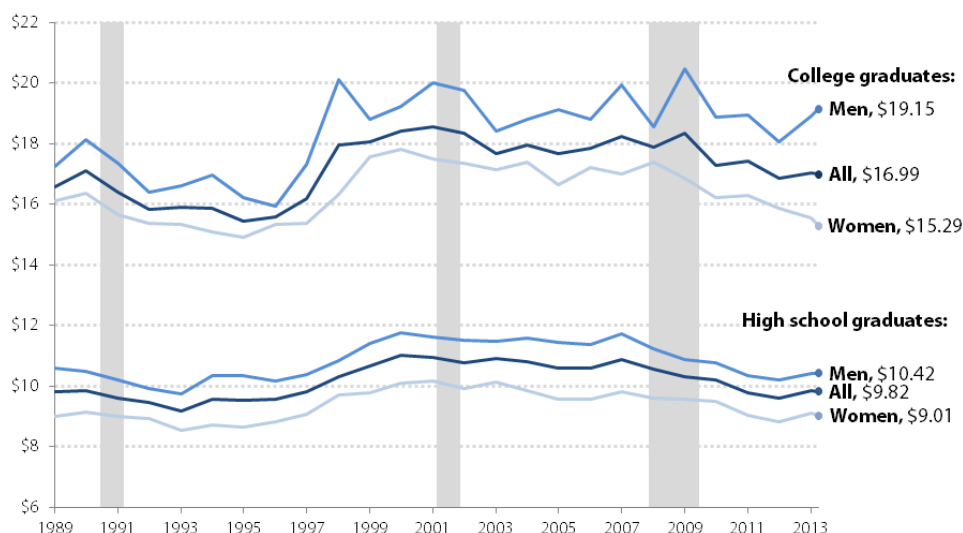
Note: Shaded areas denote recessions. Data are for college graduates (Bachelor's degree only) age 21–24. "Not employed" includes those who are unemployed and those who are not in the labor force.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata

Wages of new high school and college graduates have fallen for more than a decade

Figure I presents average hourly wages of young high school graduates (age 17–20) and young college graduates (age 21–24) who are not enrolled in further schooling; the underlying data for key years are provided in **Table 1**. It should be noted that these data include salaried workers (their earnings are converted to hourly rates based on the number of hours they work). On average, young high school graduates had an hourly wage of \$9.82 in the latest data. This wage rate would yield an annual income of roughly \$20,400 for a full-time, full-year worker. Young college graduates had an average hourly wage of \$16.99, which would translate into an annual income of roughly \$35,300 for a full-time, full-year worker. On average, wages of young female graduates remain far less than those of young male graduates, regardless of educational attainment. Among young high school graduates, women earn 13.5 percent less than men, while among young college graduates, women earn 20.2 percent less than men.

Figure 1 Real average hourly wages of young workers, by education, 1989–2014*



*Data for 2014 represent 12-month average from April 2013–March 2014

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. Shaded areas denote recessions.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group microdata

The wages of all groups of young graduates have fared extremely poorly during the Great Recession and its aftermath, as shown in Table 1. The real (inflation-adjusted) wages of young high school graduates have dropped 9.8 percent since 2007 (the declines were larger for men, at 11.0 percent, than for women, at 8.1 percent). The wages of young college graduates have also dropped since 2007, by 6.9 percent (for young college graduates, the declines were *much* larger for women, at 10.1 percent, than for men, at 4.0 percent).

TABLE 1

Real average hourly wages of young workers, 1989–2014*

	Young high school graduates			Young college graduates		
	All	Men	Women	All	Men	Women
1989	\$9.82	\$10.57	\$9.00	\$16.59	\$17.24	\$16.12
1995	9.54	10.33	8.65	15.45	16.21	14.91
2000	11.01	11.77	10.09	18.41	19.24	17.82
2007	10.89	11.72	9.81	18.24	19.95	17.00
2014*	9.82	10.42	9.01	16.99	19.15	15.29
1989–2000	12.1%	11.3%	12.1%	10.9%	11.6%	10.5%
1989–1995	-2.9	-2.3	-3.9	-6.9	-6.0	-7.5
1995–2000	15.4	13.9	16.6	19.1	18.7	19.5
2000–2014*	-10.8	-11.4	-10.7	-7.7	-0.5	-14.2
2000–2007	-1.1	-0.5	-2.8	-0.9	3.7	-4.6
2007–2014*	-9.8	-11.0	-8.1	-6.9	-4.0	-10.1

* Data for 2014 represent 12-month average from April 2013–March 2014.

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 2013 dollars.

Source: Authors' analysis of Current Population Survey Outgoing Rotation Group microdata

As Figure I shows, however, the wages of young graduates fared poorly even before the Great Recession began; they saw virtually no growth over the entire period of broad wage stagnation that began during the business cycle of 2000–2007. Since 2000, the wages of young high school graduates have declined 10.8 percent (11.4 percent for men and 10.7 percent for women), and the wages of young college graduates have decreased 7.7 percent (0.5 percent for men and 14.2 percent for women). These drops translate into substantial amounts of money. For full-time, full-year workers, the hourly wage declines since 2000 represent a roughly \$2,500 decline in annual earnings for young high school graduates, and a roughly \$3,000 decline for young college graduates.

The wage declines since 2000 stand in sharp contrast to the strong wage growth for these groups from 1995 to 2000. During that period of low unemployment and strong overall wage growth, wages rose 15.4 percent for young high school graduates and 19.1 percent for young college graduates. The stark difference between these two economic periods illustrates how the wages of young graduates vary considerably depending on whether the overall economy is experiencing low unemployment and strong wage growth, or high unemployment and wage stagnation. Young graduates who enter the labor market during periods of strength (e.g., 1995–2000) face much stronger wage prospects than young graduates who enter the labor market during periods of weakness (e.g., 2001 to the present).

Downturn affects young workers' futures

Young workers who have the bad luck to enter the labor market during a downturn not only have worse outcomes in the short run than if they had entered in a healthy labor market; these negative effects can last a very long time. Research shows that entering the labor market in a severe downturn can lead to reduced earnings, greater earnings instability, and more spells of unemployment over the next 10 to 15 years. Unsurprisingly, given the data presented earlier on underemployment, the evidence suggests that part of the decline in earnings is due to the fact that young workers entering the labor market in a downturn often have to settle for jobs at less-attractive employers or in lower-level occupations than they otherwise would have (this is often referred to as “cyclical downgrading”). This initial effect does tend to fade over time as workers find better jobs or move up within their companies, but that process can take well over a decade. In short, the labor market consequences of graduating in a bad economy are not just large and negative, but also long-lasting (Oreopolous, von Wachter, and Heisz 2013; Kahn 2010; Hershbein 2012). Because of their unlucky timing—in other words, through absolutely no fault of their own—the cohorts entering the labor market since 2008 are very likely to fare poorly for at least the next decade.

The high cost of education, and not enough money to pay for it

The high cost of college is one likely reason that college enrollment rates did not increase above their long-run trend despite the lack of job opportunities during the Great Recession and its aftermath, and have dropped since 2012. In the 2013–2014 school year, the total cost of attendance for an on-campus student—including in-state tuition, books, room and board, and transportation expenses—at a four-year in-state public school averaged \$22,826. For a four-year private school, it was \$44,750. The cost of higher education has risen faster than family incomes, making it harder for families to pay for college. From the 1983–1984 enrollment year to the 2012–2013 enrollment year, the inflation-adjusted cost of a four-year education, including tuition, fees, and room and board, increased 125.5 percent for private school and 129.1 percent for public school. Median family

income only increased 15.6 percent over this period, leaving families and students unable to pay for most colleges and universities in full (College Board 2013; CPS ASEC).

As tuition costs have risen at rates vastly exceeding income growth, it is not surprising that many students have to take on debt to pay for college. Using the Survey of Consumer Finances, Fry (2012) shows that in 2010 (the latest data available) about one in five of the nation's households owed money on student debt, a proportion that has more than doubled since 1989. For households with student loan debt, the average amount was \$26,682 in 2010, and the median was \$13,410. The average amount, which has nearly tripled since 1989, is higher than the median because of very high amounts of debt owed by some: 10 percent of households owe \$61,895 or more. Among households headed by adults age 35 and younger, 40 percent held outstanding student debt in 2010 (Fry 2012).

Using the Federal Reserve Board of New York's Consumer Credit Panel, Brown et al. (2014) find that between 2004 and 2012, the number of student debt borrowers increased by 70 percent, and average debt per borrower also increased by 70 percent. The Great Recession contributed to this increase. Between 2007—the start of the Great Recession—and 2012, median family income dropped by 8.4 percent (CPS ASEC Table F-5), and this loss of income likely caused more dependence on loans to cover the cost of education. Furthermore, many parents saw the value of their home drop when the housing bubble burst, making them less able to take out a home equity loan to provide tuition assistance for their college-age children (see, for example, Lovenheim and Reynolds 2013). At the same time, higher education costs increased to make up for asset losses (at private universities) and funding cuts (at public universities) during the downturn. For example, between the 2007–2008 school year and the 2012–2013 school year, state appropriations for higher education per full-time enrolled student fell by 27.7 percent, and in response, public colleges and universities have had to steeply increase tuition (Oliff et al. 2013).

Recent graduates who do not find a stable, decent-paying job may be forced to miss a payment or default altogether on their loans. Default can ruin young workers' credit scores and set them back years when it comes to saving for a house or a car. Researchers at the Federal Reserve Bank of New York find that more than 30 percent of student loan borrowers who are not in deferment or forbearance were at least 90 days past due on their educational debt in the fourth quarter of 2012. They also find that the recent growth in student loan balances and delinquencies was accompanied by a decrease in mortgage and auto loan borrowing for younger age groups, suggesting that student loan debt is indeed crowding out other investments (Brown et al. 2014).

Conclusion: Strong overall job growth is needed to boost young workers' employment

Although the labor market is slowly improving, job opportunities remain extremely weak. The dramatic increase since 2007 in unemployment among new college graduates underscores that today's unemployment crisis among young workers did not arise because workers lack the right skills. Instead, the weak labor market is due to weak demand. Employers simply haven't seen demand for their goods and services pick up enough to require them to significantly ramp up hiring.

It doesn't have to be this way. The most direct way to quickly bring down the unemployment rate of young workers is to institute measures that would boost aggregate demand. In the current moment this can best be

accomplished through expansionary fiscal policy: large-scale ongoing public investments, the reestablishment of public services and public-sector employment cut in the Great Recession and its aftermath, and strengthening safety net programs. One of the most effective policies available to help the economy would be to simply reinstate the emergency unemployment insurance benefits program that was allowed to expire last December.

Policies that would spread the total hours of work across more workers could also bring down unemployment from the supply side. Work sharing would encourage employers who experience a drop in demand to cut back average hours per employee instead of cutting back the number of workers on staff. While layoffs are no more prevalent now than before the recession began, there are currently around 1.5 million layoffs every month, meaning a work-sharing program could avoid many layoffs and significantly reduce unemployment. Another possibility is to allow earlier entry into Social Security and Medicare for those workers wishing to move up their retirement. Early, voluntary retirements would decrease the labor supply while holding labor demand fixed, thereby allowing the unemployment rate to fall. Finally, mandatory paid leave policies could reduce the average annual hours worked. An obvious place to start would be providing paid sick days to the almost 40 percent of private-sector workers who lack the right to even a single day of paid sick leave so that they can stay home when they or their children are sick (Lafer 2013). The bottom line is that policies that will generate demand for U.S. goods and services (and therefore demand for workers who provide them), or policies that would spread the total hours of work across more workers, are the keys to giving young people a fighting chance as they enter the labor market during the aftermath of the Great Recession.

References

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