

Work, School, and Idleness:

Labor Market Activities and School Enrollment Trends
of Young Adults in Los Angeles and Long Beach Cities
and California

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Introduction

The accumulation of human capital in the form of formal educational attainment and labor market work experience is critical for most individuals during young adulthood. During this period of their lives, many young adults spend a considerable amount of time either in school or in the labor market or in mixing work and school. Activities that enhance individual's stock of human capital, particularly through formal schooling activities, are carried out intensively during young adulthood because of the relatively lower opportunity costs of seeking education during this phase of their lives. A period of time when many young people have not yet started a family and are therefore free from the many responsibilities of supporting a family. Engaging in formal educational activities—attending school—also takes away time from paid employment in the labor market resulting in forgone earnings that also are a part of the opportunity cost of seeking education. The opportunity cost in the form of forgone earnings is also typically much lower in young adulthood than in later years. It should also be noted that developing productive traits at an early age makes sense because the payback period is longer—raising the lifetime economic returns to the development of these productive skills

School and work are both human capital building activities. The quantity and quality of schooling directly adds to the human capital of the student making him or her more productive and greatly improving future employment and earnings outcomes in the labor market. Better-educated workers secure better jobs with higher salaries and job-related benefits such as pension and health coverage. Better educated workers are also more likely than poorly educated workers to receive employer-provided training. Employers are more likely to invest their training dollars on better-educated rather than poorly-educated members of their workforce.

The educational activities of youth are path dependent. Youth who are engaged in schooling activities early are more likely to finish high school, enroll in college, and persist in college to earn a college credential. Young adults who disconnect from school are very likely to be high school dropouts. Failure to complete high school is a major barrier to securing further education and training. A high school diploma or its equivalent (GED) is a

prerequisite to entry into most colleges and training programs. Consequently, not completing high school also robs the youth of the opportunity to enroll in college or in a training program and largely shuts them out of the economic gains associated with access to post secondary education at the two- and four-year college degree level as well as in non degree post secondary educational programs. Even when admission to higher education is not contingent upon earning a high school diploma, dropouts are less likely to enroll in a post secondary program. High school dropouts are therefore also shut out of many of the best education and training opportunities that are available to those who complete high school.

In the labor market, high school dropouts are increasingly relegated to the margins of the work engagement. They have low employment rates and low earnings and their labor market prospects remain extremely bleak throughout their working lives. A high school diploma has increasingly become a prerequisite to full participation in the mainstream economy. Access to year-round, full-time jobs, even at low hourly rates of pay is quite limited for high school dropouts. Individuals who fail to graduate from high school have become increasingly relegated to the fringes of the labor market, stuck in extended periods of joblessness and, when working, more likely employed in part-time, part-year, low skill jobs. The weak labor market outcomes of high school dropouts result in reduced annual earnings, low income levels, a sharply higher risk of poverty, and all the negative personal and family consequences associated with life on the margins of the legitimate economy.

The other positive human capital building activity in which most youth are engaged is paid employment. Besides the obvious benefit of earning a salary, paid employment among youth has several other important benefits. It provides young adults with the work experience which, like education, is a form of human capital and has a positive influence on future employment and earnings. Paid employment results in the acquisition of occupational skills as well as soft skills such as punctuality, communicating with co-workers and supervisors, working in teams, and even something as basic as attendance, punctuality, interpersonal behavior at work and even how to dress for work. Soft skills are largely learned on the job, through observation and repetition of the behavior of other more experienced workers (something akin to osmosis) and most individuals acquire these skills through their work activities during their teens and early twenties. The absence of paid employment in the early

years reduces the amount of work experience accumulated by youth and denies them of the opportunity to acquire the work place savvy that is essential to success in the labor market.

In addition to the benefit of accumulating human capital, being engaged in work and/or school also reduces the likelihood that the youth will engage in negative activities. Young men who are not connected with work and/or school are at high risk of engaging in criminal activities. A large majority of these disconnected men are high school dropouts who have much higher probabilities of incarceration than those with more schooling. Many of these young men operate on the margins of legitimate society. Young women who have disconnected from work and school are at high risk of becoming unwed adolescent mothers resulting in truncated education, loss of work experience and a very elevated risk of a lifetime or poverty and dependency.

While human capital has always been important for success in the labor market, the value of human capital has increased sharply as the job content of the economy has changed in favor of jobs that require higher levels of formal educational attainment and more sophisticated skills. Over the past 25 years, the industrial composition of employment in the American economy has changed sharply. The most striking change occurred in the employment levels in manufacturing or goods-producing industries and services producing industries. The share of all jobs in the manufacturing sector declined from 19 percent in 1983 to under 10 percent in 2008 while the share of jobs in the services sector including financial services, professional services, business services, healthcare and educational services in the nation's economy increased from 23 percent in 1983 to nearly one-third in 2008.

What does this shift of employment from the manufacturing sector to the service sector mean? These two industries require a vastly different workforce with different levels of skills and educational attainment. Members of the workforce in these two sharply different sectors of the economy and have staffing structures that are very different from one another. The service sector employs a large concentration of its workforce in managerial, professional, technical, and high-level sales jobs that are frequently called 'college labor market occupations' because of the high concentration of college graduates in these occupations. Nearly two-thirds of the service sector workforce in the nation is employed in college labor market occupations. The manufacturing industry, in contrast, has a high

concentration of employees in blue-collar jobs where skills are frequently developed though on the job learning. About 55 percent of the nation's manufacturing workers are employed in blue-collar jobs.

College labor market occupations and blue-collar occupations employ workers with very different levels of education. The educational attainment of workers employed in college labor market occupations is considerably higher than those who work in blue-collar occupations. Nearly six out of ten workers employed in a college labor market occupation had a four-year college degree or a post-graduate or professional degree and over one-quarter had some postsecondary education below a four-year degree. The share of college graduates with a four-year or higher degree among blue-collar workers was only 6 percent. Three out of ten blue-collar workers had completed postsecondary education below the four-year degree level, about 40 percent were high school graduates, and one-fifth had failed to complete high school.

In addition to the change in the industrial composition of employment, the occupations staffing patterns within individual industry sectors have also changed over time. As production processes became more technologically sophisticated, the services sector as well as the manufacturing sector began to employ more college labor market workers. These changes in the industrial composition of employment and occupational staffing patterns within industries resulted in a sharp increase in the demand for workers with higher levels of education and more sophisticated skills. At the same time, poorly educated and low skills workers witnessed a sharp decrease in the demand for their labor. Consequently, the earnings premium of college educated workers rose sharply as the job content of the nation's economy shifted toward growth in demand for workers in occupations that required higher levels of educational attainment. Among young college graduates, the average annual salary of bachelor's degree holders was 70 percent higher than that of high school graduates in 2008; up from 15 percent in the early-1970s.

Not only do young college graduates earn much more than their high school graduate counterparts, but as they age and gain work experience the size of this earnings advantage for college graduates actually increases over their working lives compared to high school graduates. A comparison of the lifetime earnings of individuals with different levels of

educational attainment provides striking evidence of sizable earnings gaps between college graduates and less educated individuals. Nationwide the lifetime earnings of individuals with a bachelor's degree is more than twice as high that of high school graduates; \$1,088 million among high school graduates versus 2,244 million among college graduates with a bachelor's degree, representing a lifetime earnings difference of \$1,156 million between the two groups. A graduate degree bestows a lifetime earnings advantage of 284 percent relative to a high school diploma, representing a lifetime earnings difference of \$1.998 million between workers with a graduate degree and those with a high school diploma. A comparison of the lifetime earnings of high school graduates with those of high school dropouts reveals that individuals who fail to graduate from high school earn \$406,500 less than high school graduates over their working lives.

The lifetime earnings gaps are even larger in the Los Angeles metropolitan area. The lifetime earnings of residents of the LA metro area with a bachelor's degree and those with a master's or a higher degree are, respectively, 211 percent and 306 percent relative to the lifetime earnings of high school graduates. High school dropout residents of the LA metro area, on the other hand, are expected to earn \$454,000 less or nearly 40 percent less than the lifetime earnings of their counterparts who were high school graduates but had not completed any postsecondary education.¹

Education has become a prerequisite to success in today's labor markets. The changes that have occurred in the labor markets make it imperative that young adults engage in acquiring skills and human capital through formal education and labor market work experience. Those young adults who fail to engage in these activities start out their working lives with an education and skills deficit, which produces an employment and earnings gap between them and their better-educated and more skilled counterparts, which is difficult to bridge. This earning disadvantage grows wider over time as the trajectory of success for college graduates diverges from that of young adults with less schooling. In today's labor markets, what workers "reap" over their working lives is even more strongly determined by what they "sow" during the young adult years.

¹ See: Alison H. Dickson, Neeta P. Fogg, Paul E. Harrington, and Ishwar Khatiwada, *The Lifetime Employment, Earnings and Poverty Consequences of Dropping Out of High School in the Los Angeles Metro Area*, October 2009.

The activities of young adults should be a matter of concern to all. The impact of the activities of young adults extends beyond their own lives to the economy and the society at large. Since young adults are entrants into the labor market they constitute the main source of the long-term labor supply to the economy. When young adults engage in productive human capital building activities, the economy will gain a skilled workforce in the future, which in turn will attract more businesses, produce more jobs, and fuel economic growth. Young adults who are engaged in positive and productive activities of education and employment also are less likely to engage in socially deviant behaviors and to rely on public assistance. Engagement of young adults in school and/or work therefore has a positive fiscal impact with higher revenues from their higher tax payments due to their higher rates of employment, higher earnings, higher rates of home ownership and property tax payments, and higher expenditures resulting in higher sales tax payments.

Unfortunately, there are a sizable number of young adults between the ages of 16 and 24 who are not engaged in work or in school. These young adults are disconnected from the two important human capital building activities that occupy most young adults—formal education and paid employment. Youth who are not engaged in these human capital acquisition activities suffer sizable setbacks in the labor market. Starting out their labor market careers with a human capital deficit places substantial barriers to their success in the labor market not only at the time of their labor market entry but over their entire working lives. Bad decisions at 18 can lead to sharp increase in chances of joblessness, poverty, welfare dependency, and even disability when these youngsters join the ‘prime age workforce’ at age 25

New Expectations on Youth

Recessions and economic downturns usually have disproportionately large adverse impacts on the youth labor market. The recession of 2007 is not different in this regard. Like other recessions preceding it, this recession resulted in a severe reduction in youth employment rates and a sharp increase in their labor market problems. In fact, youth employment rates particularly among teens, have dipped to record lows during this recession. In most economic downturns, teens and young adults (aged 16 to 24) need to make larger

adjustments in their labor market activities than either prime age (25 to 54 year olds) or older workers (those aged 55+).

In addition to adjusting to the vicissitudes of the labor market, youth today have to make a number of sophisticated human capital investment decisions at a very young age. These decisions about education, work, child bearing, social behavior and the like have powerful life-time impacts. Unfortunately teens and young adults frequently have to make these decisions based on little information or understanding of the labor market and the rewards associated with alternative schooling and career paths that they might choose. The economic environment that faces these young adults is much more complicated today than that which confronted their parents twenty years ago. Today there are many more career opportunities in the knowledge-based sector than in the traditional goods-based sector and these opportunities require important decisions not only about years of schooling, but also about what to study when in school. Moreover, today's young adults face a much less forgiving economy. A wrong decision is accompanied by more serious adverse consequences today than it did in the past.

Young adults make a series of decisions that are simultaneous and sequential. Among the first is whether to remain in school or to withdraw. Nationally, the cumulative dropout rate is estimated to be between 25 and 30 percent. If young people choose to stay in school, they must next decide which courses to take. The degree of rigor of their basic skills development in different courses will substantially influence their ability to enroll in and complete a college degree program later on. Curricular decisions made at the high school level will, in large measure, determine the array of potential major fields of study at the college level for which graduating high school seniors can qualify, at both the two year and four year post-secondary level/

If young people opt to complete high school, students must decide whether to engage in additional schooling activities, and/or enter the career labor market right after high school. Some young adults might choose to engage in neither work nor school and remain disconnected from the two main institutions—higher education and the labor market—in which most young adults are engaged. The college enrollment decision itself results in a series of additional decisions including the level of college study to pursue (certificate or

license, two or four year degree), the educational institution to attend and the choice of major field of study.

Another decision that youngsters need to make while they are enrolled in secondary school or postsecondary school is whether they should mix work and school. In addition to the earnings that accompany labor market work, work experience provides sizable future benefits in the form of a greater likelihood of employment, higher earnings, and even higher rates of enrollment into and completion of postsecondary schooling. Even among high school students, part-time work and summer jobs can have an important impact on future employability because they help young people develop the work behavior traits that are highly valued by today's employers. In a labor market that favors knowledge and experience, choices about summer jobs, part-time work, formal work-based learning such as cooperative education and apprenticeships all have a strong connection to future employability, lifestyle and quality of life. Taken as a whole, therefore, the decisions young people between the ages of 16 and 24 make about work, education and training in this economy are far more important than they were twenty years ago and will determine to a very large extent their future economic, social and personal success.

Education and employment among young adults should be a vital part of workforce development strategies. It is important to understand the extent to which young adults participate in these activities and identify subgroups of young adults who fail to acquire formal education or to access employment. In this report, we present an analysis of the educational and employment activities of young adult residents of Los Angeles and Long Beach cities during the Great Recession of 2008-2009. We examine variations in schooling and work behavior among social and demographic subgroups of young adults and selected comparisons of the educational and employment behavior of young adult residents of these two cities with that of their counterparts California

Trends in Youth Labor Market Activities

Since the beginning of the recession in December 2007 through October 2009 the U.S. economy has lost 7.3 million payroll jobs, a relative decline of 5.3 percent of all wage and salary employment over the 21 month period. The nation's unemployment rate has more

than doubled from 4.9 percent in December 2007 to 10.2 percent in October 2009. The job losses have been even more severe in California. Over the 20 month time period between December 2007 and September 2009, the state lost 989,000 jobs representing a relative job loss of 6.5 percent. In September 2009, the most recent month of available data for the California, the unemployment rate stood at 12.2 percent more than double the 5.9 percent unemployment rate registered in December 2007. The Los Angeles county area saw an even sharper increase in unemployment rate, from 5.2 percent in September 2007 to 12.7 percent in September 2009. The Los Angeles County had 368,000 or nearly 8 percent fewer employed residents in September of 2009 relative to the number of employed resident in September 2007.

Similar to other recessions, the brunt of this recession was borne by workers with lower levels of educational attainment and by the young. A comparison of the levels of employment among adults aged 25 or older in the nation during the year between October 2008 and October 2009 found that the largest declines in employment occurred among high school dropouts followed by those with a high school diploma. In contrast employment among college graduates remained essentially unchanged. Employment changed by -7.4 percent among high school dropouts, -6.3 percent among high school graduates with no additional education, -3.7 percent among adults with some postsecondary education below the bachelor's degree level and +0.15 percent among college graduates.

Employment among teens and young adults has fallen sharply over the course of the downturn. The number of teens and young adults who worked dropped more sharply than any other age group in the labor force. The number of persons aged 16 to 24 who reported that they were working declined by 13.5 percent, while employment among prime aged workers fell at less than half this rate (-5.9 percent). Remarkably, the number of persons aged 55+ who were working has increased by 2.8 percent over the past 22 months. Clearly, young people have borne a disproportionate share of the job losses associated with the current economic recession.

Our analysis of the trends in the labor market activities in the Los Angeles and Long Beach area is based on a much longer time period, but includes the current economic recession. We have compared the labor market outcomes of 16 to 24 year old residents of

Los Angeles and Long Beach (LA/LB) over the 8 years between the most recent 21 month time period between January 2008 and September 2009 and a corresponding 21 month time period between January 2000 and September 2001. During 2000 the state economy in California was operating at near full employment levels with the overall state unemployment rate hovering below 5 percent in most months of the year and dipping to 4.7 percent in December of 2000. However this economic boom by itself was not sufficient to alleviate a number of labor market problems of the state's young adults. During the period from January 2000 through September 2001, the youth unemployment rate was nearly 11 percent in California and the same level in LA/LB cities. Even among out-of-school youth, the unemployment rate was 10 percent in the state and the same in the cities of LA and LB. The employment to population ratio which measures the percent of youth, who were employed, was 70 percent in California and 69 percent in LA/LB cities.

The Great Recession, as it has often been called, began in December 2007. As noted above, the nation and the state of California have lost between 5 and 6 percent of their total wage and salary employment base over the first 21 months of this recession. The job losses are nowhere near done and expectations lead towards additional job losses and rising unemployment. A comparison of youth labor market outcomes in 2000-01 with those during the 21 months of the current recession reveals that young residents of LA/LB cities saw large declines in their employment rate due to sharp increases in their rate of unemployment and labor force withdrawals.

As employment opportunities decline and unemployment increases, many young adults choose to withdraw from the workforce entirely. A comparison of the labor force participation rate in 2000-01 and the over the duration of the current recession in 2008-09 finds a decline in the labor force participation rate of young adult residents in LA/LB. Only 53 percent of young adults in LA/LB cities were actively engaged in the labor force in 2008-09, down from 57 percent in 2000-01, representing a decline of 4 percentage points or a relative decline of 7 percent in the job market attachment of young people in the LA/LB region. Among those who stayed in the labor force, the incidence of unemployment shot up sharply from 11 percent in 2000-01 to nearly 20 percent in 2008-09. This 8.5 percentage point increase in the young adult unemployment rate in the two cities represents a relative increase of 77 percent. Fewer labor force participants and a larger unemployment rate

resulted in a very large 8 percentage point decline in the employment to population ratio of young adults in LA/LB cities; from 50.5 percent in 2000-01 to 42.5 percent in 2008-09, a relative decline of 16 percent.

Table 1:
The Labor Force Participation Rate, Unemployment Rate, and Employment to Population Ratio of 16-24 Year Old Residents of Los Angeles and Long Beach Cities by their School Enrollment Status, 2000-01 and 2008-09

	Jan.2000 to Sep.2001	Jan.2008 to Sep. 2009	Percentage Point Change	Relative Change
<u>16-24, All</u>				
Labor force participation rate	56.7	52.8	-3.9	-7%
Unemployment rate	11.0	19.5	8.5	77%
Employment to population ratio	50.5	42.5	-8.0	-16%
<u>16-24, Enrolled in School</u>				
Labor force participation rate	34.7	34.1	-0.6	-2%
Unemployment rate	12.5	20.6	8.1	65%
Employment to population ratio	30.3	27.1	-3.2	-11%
<u>16-24, Not Enrolled in School</u>				
Labor force participation rate	76.6	73.4	-3.2	-4%
Unemployment rate	10.4	19.0	8.6	83%
Employment to population ratio	68.7	59.4	-9.3	-14%

Young adults who were still engaged in schooling activities were less likely to participate in the labor force. While some mix school and work, many choose to engage in schooling on a full-time basis and do not engage in the labor market. The labor force participation rate of in-school youth remained nearly unchanged much between 2000-01 and 2008-09. In 2008-09 34.1 percent of the young adult residents of LA/LB cities were active labor market participants, down from 34.7 percent in 2000-01 representing a decline of only half a percentage point or 2 percent over the 8 year period. In-school youth in the LA/LB area continued to participate in the labor market at the same rate despite the lack of job opportunities. Unfortunately, a larger share of these students who remained in the workforce failed to find employment, sharply raising their unemployment rate. The 2008-09 unemployment rate of in-school young adults in LA/LB was nearly two-thirds higher relative to their unemployment rate in 2000-01; increasing from 12.5 percent in 2000-01 to 20.6 percent in 2008-09, an increase of 8.1 percentage points or 65 percent. Despite an almost

unchanged labor force participation rate, the difficulty faced by in-school youth in finding a job resulted in a 3-percentage point decline in their employment to population ratio. The 2008-09 employment to population of in-school youth in the LA/LB area was only 27 percent; down from 30 percent in 2000-01.

Young adults who are out of school are more likely to actively participate in the labor market. Being out of school leaves them with only one out of the two activities in which most young adults are engaged, namely, paid employment. In 2000-01, nearly 77 percent of out-of-school young adult residents of LA/LB cities were actively engaged in the workforce. The onset of the recession in December of 2007 and the resulting sharp reduction in job opportunities caused sizable labor force withdrawal and a sharp increase in unemployment rate among these youth. The labor force participation rate of out-of-school youth in LA/LB cities declined by 3.2 percentage points a reduction of 4 percent in relative terms and the unemployment rate nearly doubled, increasing by 8.6 percentage points or 83 percent from 10.4 percent in 2000-01 to 19 percent in 2008-09. The combined effect of a lower rate of labor force participation and sharply higher unemployment rate resulted in a sharp reduction in their employment rate. The employment rate (employment to population ratio) of out-of-school youth in LA/LB cities declined by nearly 10 percentage points from nearly 69 percent in 2000-01 to little over 59 percent in 2008-09.

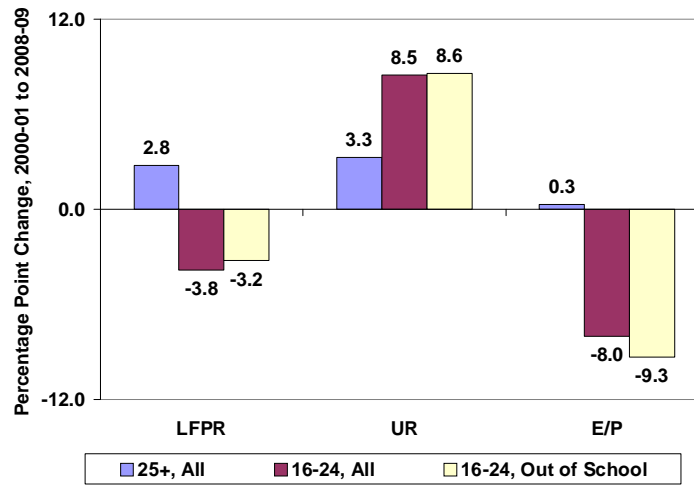
The deterioration of labor market outcomes between 2000-01 and 2008-09 was much more severe among young residents than among adult residents of Los Angeles and Long Beach. Data presented in Table 2 reveal that the labor force participation rate of adult residents of the two cities actually increased over the 8 year period between 2000-01 and 2008-09 by nearly 3 percentage points from 68 percent 2000-01 to nearly 71 percent in 2008-09. The increased workforce participation of adult residents was however not accompanied by increased success in finding employment. To the contrary, the unemployment rate of adult residents rose by more than 3 percentage points from 5.7 to 8.7 percent. Despite the increase in the adult unemployment rate, the rise in their participation rate resulted in a small (0.3 percentage point) increase in the employment to population ratio of adult residents of LA/LB cities.

Table 2:
Trends in the Labor Force Participation Rate, Unemployment Rate, and Employment to Population Ratio of Adult (25+ Years Old) Residents of Los Angeles and Long Beach Cities, 2000-01 and 2008-09

Los Angeles and Long Beach Cities, 25+ Years Old	January 2000 to September 2001	January 2008 to September 2009	Percentage Point Change	Relative Change
Labor force participation rate	68.1	70.9	2.8	4.1%
Unemployment rate	5.4	8.7	3.3	61.1%
Employment to population ratio	64.4	64.7	0.3	0.5%

The findings presented in Tables 1 and 2 clearly reveal that the labor market outcomes in Los Angeles and Long Beach cities deteriorated much more rapidly among young adult residents between the ages of 16 and 24 than among adult residents aged 25 years and older. Findings in Chart 1 indicate that even out-of-school youth lost considerable

Chart 1:
Trends in the Labor Force Participation Rate, Unemployment Rate, and Employment to Population Ratio of Adult Residents (25+) and Young Adult Residents (16-24) of Los Angeles and Long Beach Cities, 2000-01 and 2008-09



ground over the 8 year time period between 2000-01 and 2008-09. The labor force participation rates declined by nearly 4 percentage points among all youth and 3.2 percentage points among out of school youth between 2000-01 and 2008-09. Meanwhile over the same time period, the labor force participation rate of adult residents increased by nearly 3

percentage points. The unemployment rate of young residents increased by nearly 9 percentage points while the adult unemployment increased by a little over 3 percentage points. The resulting impact is that while the employment rate of adult residents remained almost unchanged (increased by 3/10ths of one percentage point), the employment rate of all 16-24 year old youth declined by 8 percentage points while out-of-school youth saw their employment rate decline by 9.3 percentage points.

A Comparison of the Labor Market Activities of Youth in Los Angeles and Long Beach Cities and California

During the 21 month period in 2008-09, young adults in California were more likely to participate in the labor market, less likely to be unemployed, and more likely to be employed than their peers in LA/LB. The labor force participation rate of young adults in California was 1.5 percentage points higher than that of young adults in Los Angeles and Long Beach cities. The unemployment rate of young adults California was nearly 2 percentage points lower than the unemployment rate of youth in LA/LB cities (19.5 percent). Due to their higher rates of participation in the workforce and their lower unemployment rates, young adult residents of the state were more likely to be employed than their counterparts in LA/LB cities. During the 21 month period in 2008-09, 44.7 percent of young adults across the state were employed versus 42.5 percent in LA/LB cities. The employment rate of young adults in the state of California was 2.2 percentage points higher than that of young adults in Los Angeles and Long Beach.

The gaps between the labor market outcomes of youth in LA/LB cities and their counterparts in California were particularly large among in-school youth. In-school youth were considerably less likely to participate in the labor market in LA/LB cities compared to the state. Only 34 out of every 100 in-school young adults in LA/LB cities were active participants in the labor force. Statewide, this number was 37.8 percent or nearly 4 percentage points higher. A comparison of the unemployment rate of in-school youth from the two areas reveals in-school youth from LA/LB cities who were in the labor force were much less successful in finding employment than their statewide counterparts. The unemployment rate of in-school youth in LA/LB cities was over 4 percentage points higher than that of their counterparts in the state. These gaps in the labor force participation rate and

Table 3:
The Labor Force Participation Rate, Unemployment Rate, and Employment to Population Ratio of 16-24 Year Old Residents of California and the Cities of Los Angeles and Long Beach, by their School Enrollment Status, 2008-09

	(A) Los Angeles & Long Beach Cities	(B) California	(C) Percentage Point Difference (A – B)
<u>16-24, All</u>			
Labor force participation rate	52.8	54.3	-1.5
Unemployment rate	19.5	17.8	+1.7
Employment to population ratio	42.5	44.7	-2.2
<u>16-24, Enrolled in School</u>			
Labor force participation rate	34.1	37.8	-3.7
Unemployment rate	20.6	16.5	+4.1
Employment to population ratio	27.1	31.5	-4.4
<u>16-24, Not Enrolled in School</u>			
Labor force participation rate	73.4	75.5	-2.1
Unemployment rate	19.0	18.6	+0.4
Employment to population ratio	59.4	61.4	-2.0

the unemployment rate result in sizable gaps between LA/LB cities and the state in the share of in-school youth who were employed. Job access for students was more limited in LA/LB with only 27 percent of in-school youth in the cities mixing school and work, compared to 31 percent of their counterparts in the state.

The labor market outcomes of out-of-school youth in LA/LB cities were also worse than the outcomes of their counterparts in the state. Out-of-school young adult residents of the two cities were less likely to participate in the labor force, about equally likely to be unemployed, and less likely to be employed than their counterparts in the state. Out-of-school young adults in LA/LB cities were 2 percentage points less likely to be in the labor force and 2 percentage points less likely to be employed than their peers in the state. The unemployment rate of out-of-school youth in LA/LB cities was about one-half percentage point higher than that of their counterparts residing in the state.

Employment Rates of Out-of-School Youth

Additional schooling is clearly an important pathway to developing the literacy and occupational skills that are required in the labor market. However, an alternative way to develop important productive abilities is through work experience itself. Work experience helps young adults develop many of the skills and behavioral traits—teamwork, communication skills, punctuality, and the like, that are highly prized by employers. Such experiences can also provide young adults with some of the information they need to make decisions about higher education and career planning, and help them develop specific occupational proficiencies. A large body of evidence suggests that early work experience, like schooling, can have significant long-term impacts on future labor market outcomes. Indeed, many studies including our own study of manufacturers in the Pioneer Valley in Massachusetts found that these ‘soft skills’ were considered the most essential attribute for any new hire the firm might make. In the absence of a strong work ethic manifested through proper work behavior, firms said they were reluctant to hire candidates regardless of their level of occupational skill.

While unemployment rates are often thought of as a measure of job access and labor market success, they represent labor market outcomes only for those who are active participants in the labor market. Among youth, who often move into and out of the labor market and frequently engage in only short periods of job search, the unemployment rate can sometimes be an inadequate measure of the degree of labor market success. The unemployment rate does not capture the level of labor market attachment among these youth. A better measure is the employment to population ratio (E/P ratio) or what is often called the employment rate.

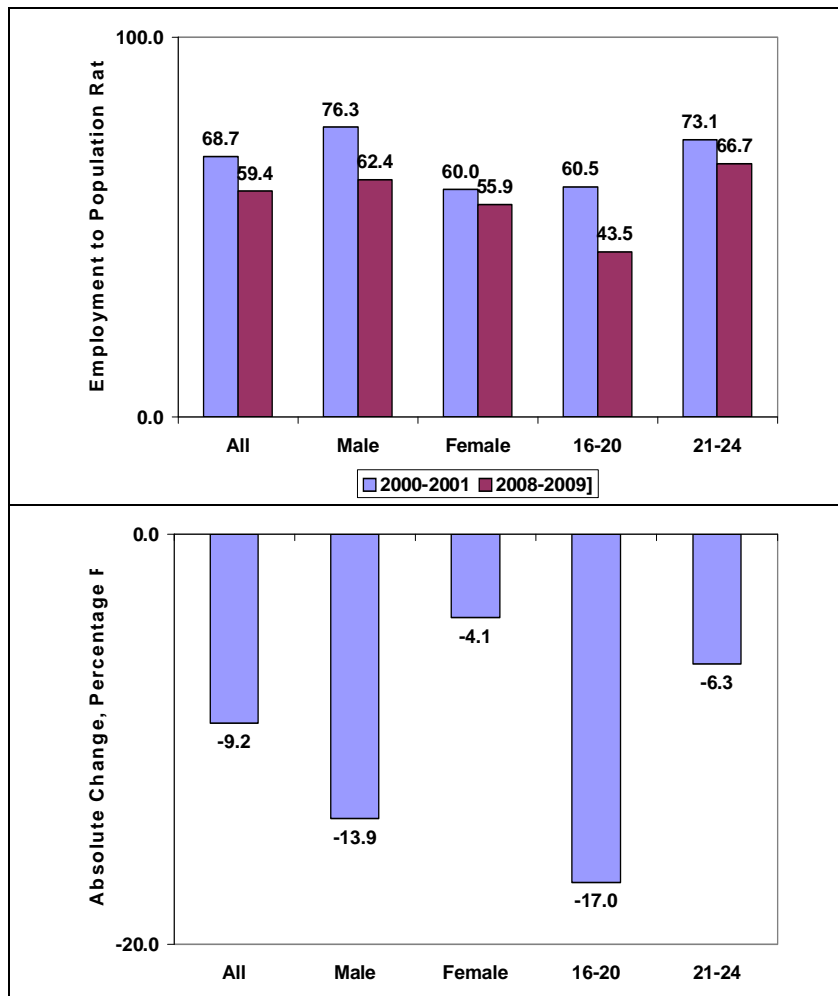
The analysis in this section examines the levels and change in the employment rate for various demographic groups of youth in LA/LB cities. The E/P ratio simply measures the fraction of young adults in a given group who were employed at the time of the Current Population Surveys. This measure allows us to determine the overall degree to which various groups of young adults have had success in gaining access to work experiences that might enhance their future employability. Our discussion will focus for the most part on the 16 to 24 year old out-of-school population in Los Angeles and Long Beach cities.

The youth E/P ratio in LA/LB cities was 69 percent during the 21 month period between January 2000 and September 2001 (Chart 2). This means that 69 percent of all non-enrolled young adults residing in the two cities were employed at the time of the 2000-01 CPS surveys. The E/P ratio was much higher among young men than among young women. In 2000-01, over three-quarters (76.3 percent) of out-of-school young adult male residents of the two cities were employed compared to just 60 percent of their female counterparts. Thus the male-female gap in E/P ratio was 16 percentage points in 2000-01. Similarly large gaps in the E/P ratios were estimated by age. Teens and 20 year old residents of Los Angeles and Long Beach cities were much less likely to be employed than the older (21- to 24-year old) young adult residents. In 2000-01, 60 out of every 100 out-of-school residents between 16 and 20 years old were employed. The E/P ratio of their 21- to 24-year old counterparts was 13 percentage points higher (73 percent versus 60 percent).

Similar to other recessions, the recession of 2007 has disproportionately eroded the labor market outcomes of youth. In 2008-09, the E/P ratio of all out-of-school young adult residents of LA/LB cities fell to 59.4 percent, a decline of over 9 percentage points or 13 percent. The current recession has had a disproportionate impact on males. Men have been hit hardest by this recession due to most job losses having been in industries dominated by males such as construction and manufacturing. Together, the construction and manufacturing industries accounted for about 15 percent of pre-recession employment in the nation, yet one-half of the net job loss that has occurred since the end of 2007 has been concentrated in these two industries. Of the over 7.4 million people that have lost jobs across the United States during the recession, almost 70 percent have been men. This has caused this particular recession to be dubbed a “he-session” by Georgia Department of Labor’s Michael Thurmond due to its powerful adverse impact on men.

The disproportionate gender impact of the recession is also evident among young residents of the cities of LA and LB. Between 2000-01 and 2008-09, the male E/P ratio declined from 76.3 percent to 62.4 percent, representing a decline of 14 percentage points or but at a much slower pace, from 60 percent to 55.9 percent representing an absolute decline of 4 percentage points or a relative decline of 7 percent. The male-female gap in E/P ratio sharply declined from 16.3 percentage points in 2000-01 to just 6.5 percentage points in 2008-09.

Chart 2:
Trend in the Employment to Population Ratio of Non-Enrolled 16- to 24-Year Old Youth in
Los Angeles and Long Beach Cities, 2000-01 and 2008-09, by Gender and Age



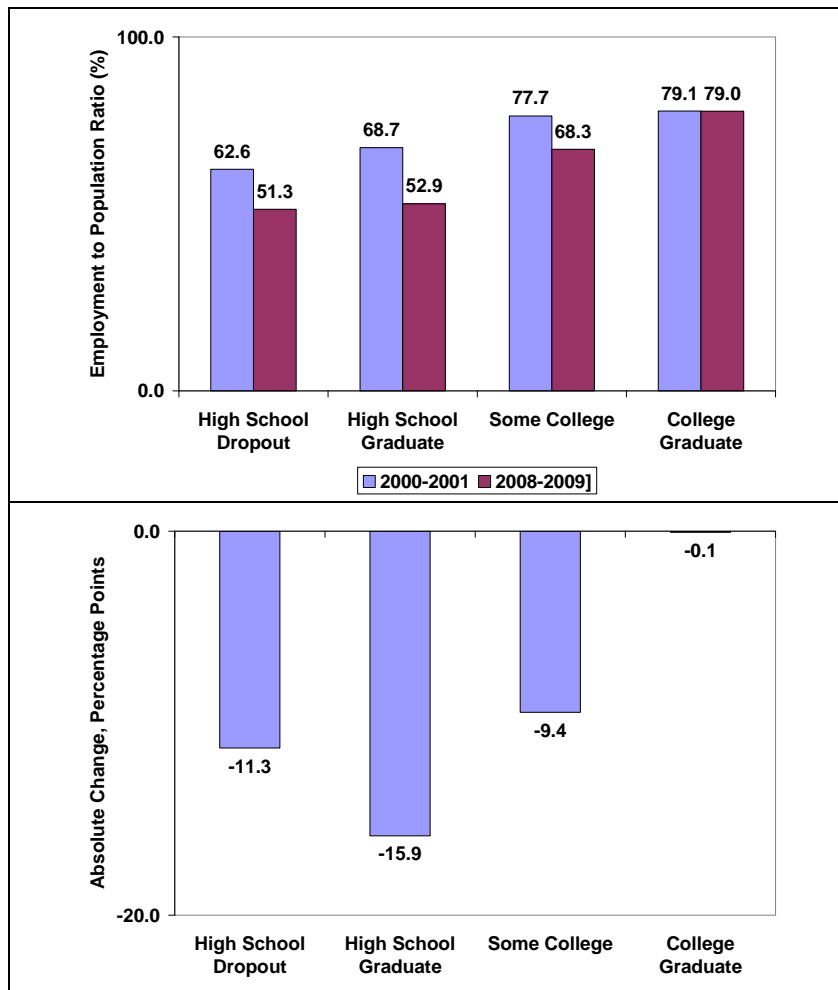
A disproportionately large decline in the E/P ratio also occurred among out-of-school 16-20 year old residents of the two cities. The E/P ratio of out-of-school teens and 20 year olds in the two cities declined by 17 percentage points or 28 percent from 60.5 percent in 2000-01 to just 43.5 percent in 2008-09. The E/P ratio also declined among 21-24 year old out-of-school residents, albeit not as sharply as the decline among their teen and 20 year old counterparts. The E/P ratio of 21-24 year olds declined by 6 percentage points from 73 percent in 2000-01 to two-thirds in 2008-09, representing a relative decline of less than 9 percent over the 8 year period.

Trends in the employment rates of out-of-school young adult residents of LA and LB cities by their educational attainment are presented in Chart 3 and provide clear evidence of the strong positive relationship between employment and education, even among the areas youngest potential workers. The employment rate of youth in the two cities consistently increased with education. Also evident in the data presented in Chart 3 is the very uneven rates of decline in the E/P ratio across educational subgroups of youth. Not only were the most poorly educated youth least likely to be employed, but the impact of the recession was disproportionately concentrated among poorly educated youth who saw very steep declines in their employment rates. In 2000-01 the E/P ratio of 16-24 year old out of school youth in LA/LB cities varied from 63 percent among high school dropouts and 69 percent among high school graduates with no postsecondary education to 78 percent among youth with some postsecondary education below the bachelor's degree level and 79 percent among those with a Bachelor's or higher degree. The employment rate of college graduates in the two cities was over 16 percentage points higher than that of high school dropouts in 2000-01.

During the 21 months since the current recession began the E/P ratios of non-enrolled youth in LA and LB cities ranged from only one-half among high school dropouts and 53 percent among high school graduates without any postsecondary schooling to 68 percent among out-of-school youth who had completed postsecondary education below the bachelor's degree level. The E/P ratio of college graduates with a bachelor's or a higher degree remained unchanged at 79 percent. The lower half of Chart 4 illustrates the sharp reductions in the E/P ratio of high school graduates and high school dropouts. Young adult high school dropouts living in Los Angeles and Long Beach cities city were 11 percentage points or 18 percent less likely to be employed in 2008-09 relative to 2000-01. The E/P ratio of high school graduates declined even more sharply—by 16 percentage points or 23 percent—from 69 percent in 2000-01 to just 53 percent in 2008-09.

Even youth with some college education below the bachelor's degree level were not insulated from the recession's impact on employment. The employment rate of these youth declined from under 78 percent in 2000-01 to over 68 percent in 2008-09. The 9 percentage point decline in the E/P ratio represents a relative decline of 12 percent. The only group of out-of-school youth in the two cities to be totally insulated from the negative impact of the

Chart 3:
Trend in the Employment to Population Ratio of Non-Enrolled 16- to 24-Year Old Youth in
Los Angeles and Long Beach Cities, 2000-01 and 2008-09, by Educational Attainment



recession on employment were college graduates with a bachelor's or a higher degree. Their employment rate remained unchanged at 79 percent in 2008-09. Poorly educated youth in Los Angeles and Long Beach cities had a greater difficulty in finding employment in 2000-01 as well as in 2008-09. They also saw sharper declines in employment compared to their better-educated counterparts. The gap between the E/P ratio of college graduates and high school dropouts increased sharply from 16.5 percentage points in 2000-01 to nearly 28 percentage points in 2008-09.

Young adults can invest in human capital through formal education or by acquiring work experience in the labor market. The acquisition of these two forms of human capital is

closely related. Young adults with higher levels of education are more likely to be employed and therefore more likely to acquire additional human capital through work experience. Although the analysis of work intensity is outside the scope of this report, research has consistently revealed that individuals with high levels of education work more intensively with more hours per week and more weeks per year compared to those with lower levels of education. High levels of educational human capital also attracts additional human capital from another source—training. Employers are more likely to invest their training resources in better-educated employees than in poorly educated employees.

Human capital attracts more human capital. Investment in educational human capital results in positive labor market outcomes in the form of higher employment rates, higher intensity of employment and a greater likelihood of receiving employer-provided training. Each of these outcomes adds to the stock of human capital of workers with higher levels of education. Better-educated workers enter the labor market at a higher level and continue to climb further up at a faster pace. In contrast, fewer poorly educated workers enter the labor market and when they do they enter at a lower level and progress at a much slower pace. Over time as young adults with different levels of educational attainment grow older these trends widen the disparity between their labor market outcomes.

Employment experience is an important source of human capital among young adults, particularly those who are out-of-school. Early work experience allows youth to acquire many of the soft skills that can only be acquired through actual work. Research on the impact of work experience while enrolled in high school has consistently shown that employment experiences among high school students results in higher rates of employment and earnings later in life. Among college-age youth, work experience acquired through employment, internships, and cooperative education placements is a critical determinant of their future labor market success. The first step towards gainful employment in the future is early exposure to the labor market through early and sustained employment among these youth.

Labor Market Problems

An examination of the trends in youth labor market outcomes in LA/LB cities from the early 2000's to the current recession indicates that young adults faced considerably

higher unemployment rates and withdrew from the labor force resulting in sizable declines in their employment rates. The unemployment rate does not capture the full extent of the damage inflicted by the recession on youth labor market outcomes. The labor market problems of young adults, particularly out-of-school young adults frequently go beyond just open unemployment. The previous section already demonstrated how young workers frequently opt to withdraw from the labor force when faced with poor job prospects. These workers may have a job desire but are not counted as unemployed because they are no longer part of the labor force, usually because they stop active job search. In addition to open unemployment and a hidden desire to work, young workers may face labor market problems even when they are employed. These include the problems of low wages, underemployment and mal-employment defined as the inability to obtain jobs that fully utilize one's skills and abilities. Mal-employment or underemployment thwarts the full utilization of the potential productivity of a worker and thereby reduces their wages and annual earnings.

The CPS survey includes questions that address the job desires of working age individuals, who are not in the labor force, the reasons for part time work among those who work in part time jobs, and the weekly wages of employed workers. We have used these CPS data elements to estimate the incidence of four types of labor market problems among out-of-school young adults and among adult workers. The four labor market problems are mutually exclusive and can therefore be summed up without double counting to estimate the overall incidence of labor market problems. These four labor market problems are defined below:

- Unemployed at the time of the CPS household survey
- Working part-time (fewer than 35 hours per week) due to economic reasons; e.g., slack work at the firm, material shortages, could not find full-time work
- Want a job now although the respondent has not actively sought work in the four weeks prior to the CPS survey; i.e., not in the labor force but has a job desire.
- Worked full-time but earned wages lower than the level needed to support a family of four above the poverty line. The weekly wage needed to support a family of three above poverty was \$268 in 2000-01 and \$339 in 2008-09.

Although the CPS contains data to measure all four labor market problems, the estimate of the fourth labor market problem—of full-time workers with low wages—is based on the question regarding weekly wages that is asked only of one-quarter of the total CPS

sample. The one-quarter sample is not large enough to produce reliable estimates for LA/LB cities. Consequently, we have provided estimates of three out of the four measurable labor market problems for the residents of Los Angeles and Long Beach cities. It must be noted that the incidence of low wage problem among full-time workers, particularly young workers, is quite large and estimated at 10 percent among out-of-school young adults in California in 2008-09.

During 2000, the Californian economy was operating at near full employment levels with the overall state unemployment rate hovering below 5 percent in most months of the year and dipping to 4.7 percent in December of 2000. However this economic boom by itself was not sufficient to alleviate a number of labor market problems of the non-enrolled young adults residing in Los Angeles and Long Beach cities (Table 4). Nearly one in ten out-of-school youth in LA/LB cities were unemployed. Almost 8 percent of the non-enrolled young adult residents of the two cities worked part-time for economic reasons even though they wanted a full-time job and another 6 percent were not working and not seeking work but had a desire to work. Thus the potential pool of labor force participants and labor supply among the young adults population in LA/LB cities was larger than the official pool of labor force participants. In 2000-01, nearly 24 percent of out-of-school young adult residents of Los Angeles and Long Beach cities had experienced one of the three labor market problems described above.

Estimates of the same three labor market problems among non-enrolled youth in the two cities during the 21 months since the current recession began are sharply higher. An earlier section found that as the state's economy entered a recession and job opportunities declined the employment rate of in-school and out-of-school young adults in LA/LB cities declined sharply. The ability of young adults to avoid labor market problems declines as job opportunities decline and full-time jobs become less accessible particularly to young adults. The recession that began in December of 2007 has led to a sharp increase in the proportion of young adult residents of LA/LB cities experiencing labor market problems. In 2008-09, over 35 percent of out-of-school youth in LA/LB cities experienced one of three labor market problems, representing an increase in the incidence of 11.4 percentage points or 48 percent (Table 4). The largest increase occurred in the incidence of unemployment rising by 8.2 percentage points or 85 percent between 2000-01 and 2008-09. A sizable increase also

Table 4:
Percent of the Adjusted Labor Force* of Non-Enrolled Young Adults (16-24)
in Los Angeles and Long Beach Cities Experiencing Various
Types of Labor Problems, 2000-01 and 2008-09

Labor Market Problems	2000-01	2008-09	Percent Change
Unemployed	9.7	17.9	+84.5%
Not in labor force but want a job now	6.4	5.5	-14.1%
Employed part-time for economic reasons	7.8	11.9	+52.6%
Total, All three problems	23.9	35.3	+47.7%

*Note: The adjusted labor force is the sum of the official labor force (employed plus unemployed) and those who were out of the labor force but wanted a job now.

occurred in the incidence of involuntary part-time employment; up from 8 percent in 2000-01 to 12 percent in 2008-09, an increase of over 4 percentage points or 53 percent. The third labor market problem measures those who were out of the official labor force but had wanted a job at the time of the CPS survey. This group is often called the labor force reserve. The size of the labor force reserve in LA/LB cities was smaller in 2008-09 compared to 2000-01. Earlier in the decade, 6.4 percent of the adjusted young adult labor force of LA/LB cities consisted of the labor force reserve. In 2008-09, the share of the labor force reserve in the two cities declined to 5.5 percent; a decline of 9/10ths of one percentage point or 14 percent. The desire to work among young adults who were out of the labor force was slightly smaller in 2008-09 than it was in 2000-01. In 2008-09, a larger share of the labor market problems of out-of-school youth in the two cities consisted of open unemployment or involuntary part-time employment.

Although the labor market outcomes of young adults are cyclically sensitive, that is, the incidence of labor market problems increases in an economic downturn and decreases when the economy grows, the incidence of labor market problems among young adults remained high even when California's economy was operating at near full employment levels in 2000 and early 2001. The persistence of labor market problems among young adults even during good economic times clearly indicates that economic growth is necessary but clearly not sufficient to significantly reduce labor market problems of young adults. Additional efforts in the form of strategies targeted to boost employment as well as full-time employment of young adult workers are necessary to reduce the incidence of labor market

problems among young adults. These efforts need to be intensified during recessionary periods particularly when the downturn is as steep as the current recession.

The likelihood of experiencing labor market problems is much higher among young adults than among older adults who were 25 years old and over. In 2008-09, the likelihood of experiencing labor market problems in California was 1.8 times higher among out-of-school young adults than among older adults. The proportion of the young adult residents of the two cities experiencing any one of the three labor market problems was over 35 percent versus 19.6 percent among older adult residents (Table 5). Young adults were more likely than older

Table 5:
Percent of the Adjusted Labor Force* of Non-Enrolled Youth (16-24 Years Old) and Adults (25+ Years Old) Experiencing Various Types of Labor Market Problems, Los Angeles and Long Beach Cities, 2008-09

	(A) Young Adults (16-24)	(B) Older Adults (25+)	(A) / (B)
Unemployed	17.9	8.5	2.11
Not in labor force but want a job now	5.5	2.9	1.90
Employed part-time for economic reasons	11.9	8.2	1.45
Total, all three problems	35.3	19.6	1.80

*Note: The adjusted labor force is the sum of the official labor force (employed plus unemployed) and those who were out of the labor force but wanted a job now.

adults to experience each of the three labor market problems. The largest difference between young adults and older adults was in the problem of open unemployment. The young adult residents of LA/LB cities were 2.11 times more likely to be unemployed, nearly twice (1.9 times) as likely to want a job even though they were not looking for one, and 1.45 times more likely to work part-time involuntarily.

A comparison of the change in the incidence of labor market problems of young adults and older adults in LA/LB cities and the entire state of California is presented in Table 6. Between 2000-01 and 2008-09, the incidence of labor market problems among young adults increased by 11.3 percentage points or 47 percent in LA/LB cities. Over the same 8

year period, the incidence of labor market problems among out-of-school young adults in California increased by 13.7 percentage points or 65 percent. Despite the sharper increase in labor market problems of youth across the state between 2000-01 and 2008-09, young adults in LA/LB cities were about equally likely as their counterparts in the state to face labor market problems in 2008-09 (35.2 percent in LA/LB cities versus 34.7 percent in the state).

Table 6:
Percent of the Adjusted* Labor Force of Non-Enrolled Youth Adults (16- to 24-Years Old) and Older Adults (25 Years or Older) Experiencing Labor Market Problems in LA/LB Cities and California, 2000-01 and 2008-09

	2000-01	2008-09	Absolute Change	Relative Change
<u>LA/LB</u>				
Young Adults	24.0	35.3	11.3	47.1%
Older Adults	13.5	19.6	6.1	45.2%
Young Adults / Older Adults	1.78	1.80	--	--
<u>California</u>				
Young Adults	21.0	34.7	13.7	65.2%
Older Adults	9.5	16.2	6.7	70.5%
Young Adults / Older Adults	2.21	2.14	--	--

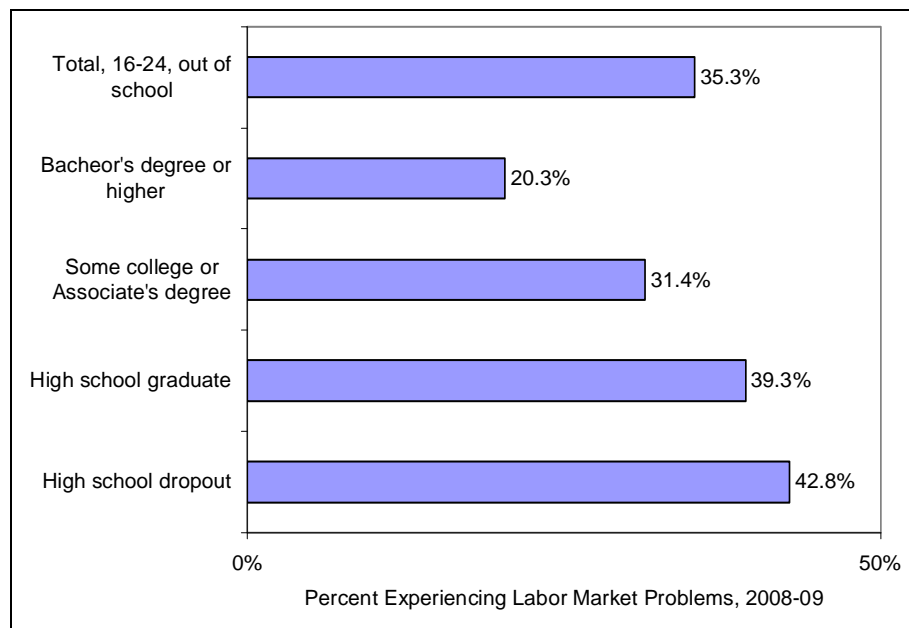
*Note: The adjusted labor force is the sum of the official labor force (employed plus unemployed) and those who were out of the labor force but wanted a job now.

The current recession also had an adverse impact on older adults among whom the percent experiencing labor market problems was higher in 2008-09 compared to 2000-01. The share of older adults experiencing labor market problems increased by 6.1 percentage points or 45 percent in LA/LB cities and 6.7 percentage points or nearly 71 percent in the entire state. Despite the higher rate of increase, the state continued to have a lower incidence of labor market problems in 2008-09 among older adults (16.2 percent in the state versus 19.6 percent in the two cities).

Young adults in LA/LB cities and in the state of California were considerably more likely to experience labor market problems than older adults. Table 6 presents the ratio of the incidence of labor market problems among young adults and older adults. In 2000-01 as well as in 2008-09, a considerably larger proportion of young adults experienced labor market

problems than older adults in LA/LB cities and the entire state. However, the difference between the incidence of labor market problems among young adults and older adults was slightly smaller in LA/LB cities than in the state. In 2000-01, the incidence of labor market problems among young adults was 1.8 times higher than the incidence among older adults in LA/LB cities and 2.2 times higher in the state. In 2008-09, the ratio between the incidence of labor market problems of young adults and older adults remained about the same in LA/LB cities (1.8) and was a little lower in the state (2.1).

Chart 4:
Percent of the Adjusted Labor Force of Non-Enrolled Youth Adults (16- to 24-Years Old) Experiencing Labor Market Problems in LA/LB Cities, by Educational Attainment, 2008-09



*Note: The adjusted labor force is the sum of the official labor force (employed plus unemployed) and those who were out of the labor force but wanted a job now.

Evidence was presented in an earlier section of this report on the strong relationship between educational attainment and employment outcomes of youth. Educational attainment also is very closely related to the likelihood of experiencing labor market problems. Our analysis found that the severity of the labor market problems encountered by young adults in LA/LB cities varied systematically, by their educational attainment. Young adults with a higher education encountered a lower incidence of these problems than those with fewer years of schooling (Chart 4). For example, in 2008-09, nearly 43 percent of out-of-school

young adults who had failed to complete high school encountered a labor market problem. Graduation from high school with a diploma or a GED slightly lowered the likelihood of experiencing labor market problems. The incidence of labor market problems among young adult high school graduates was 39 percent or nearly 4 percentage points lower than the incidence among high school dropouts.

Young adults with some postsecondary education below a bachelor's degree level were over 11 percentage points less likely than high school dropouts to encounter labor market problems. Over 31 percent of youth in this educational category were experiencing labor market problems in 2008-09. The smallest incidence of labor market problems among out-of-school LA/LB city youth was among college graduates with a Bachelor's degree or a higher level of education. One in five of these youth encountered a labor market problem in 2008-09, representing an incidence of labor market problems that is less than one-half of the incidence found among their high school dropout counterparts.

Analysis of youth labor market outcomes from the 21 months of CPS survey data in 2000-01 and another 21 months data in 2008-09 data reveal that labor market outcomes of young adults living in Los Angeles and Long Beach cities deteriorated sharply during the current recession. The labor market outcomes of poorly educated youth deteriorated much more rapidly than their better-educated counterparts. Our analysis of the trends in the labor market outcomes of young adult residents of Los Angeles and Long Beach cities reveal that the youth employment rates declined sharply and unemployment rates increased. Labor force withdrawals also increased sharply among the young adult population of the cities. The incidence of labor market problems among out-of-school youth in the two cities increased considerably between 2000-01 and 2008-09. Over 35 percent of out-of-school youth experiencing one out of the three labor market problems in 2008-09 ranging across educational groups from 43 percent among high school dropouts to 20 percent among college graduates. Although the deterioration of labor market outcomes was fairly widespread, poorly educated youth, men, and teens were the hardest hit by the economic recession of 2007.

School Enrollment Rate of Young Adults

Formal education is critical for the development of young people into successful adults. Evidence on the economic and labor market returns to additional years of schooling is incontrovertible. The labor market clearly favors individuals with additional years of schooling by rewarding them with higher rates of employment and earnings. Moreover, the economic gains to additional schooling have increased over time due to the changes in the overall economy that were discussed in an earlier section of this report. The gains to schooling are manifest in a variety of ways. Individuals with additional years of schooling are more likely to have:

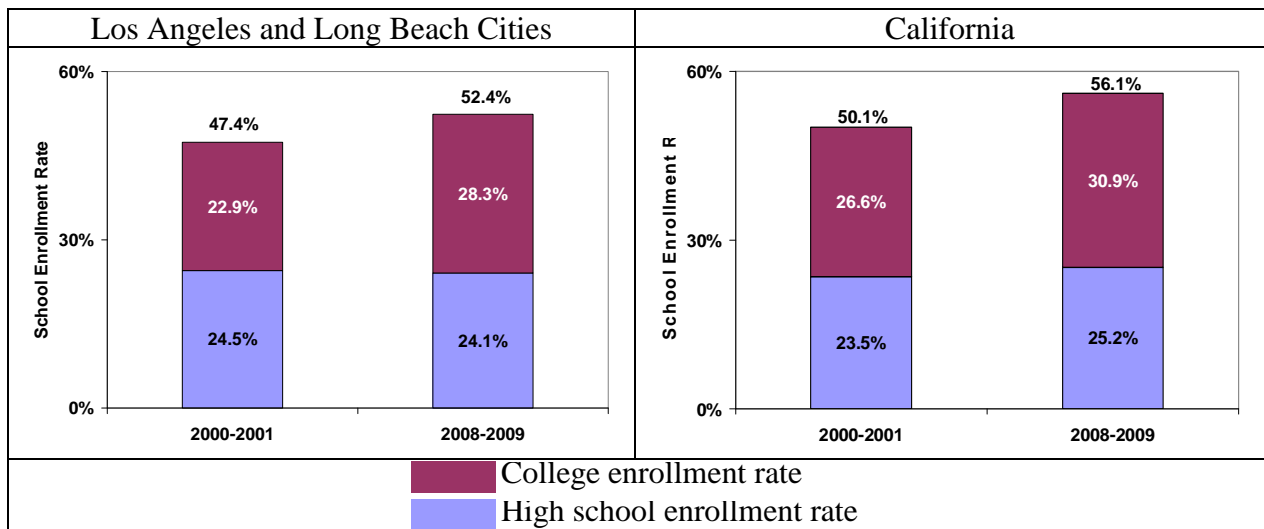
- Higher basic skills,
- Stronger labor force attachment,
- Reduced chances of unemployment,
- Higher rates of access to full time employment,
- More weeks and hours of work over the course of a year,
- Higher rates of access to work-related benefits like health insurance and pension,
- A much greater likelihood of employers investing additional education and training resources, and
- Large annual earnings advantages that persist and grow overtime as they age.

The years between age 16 and 24 are typically times of intensive schooling activity for young adults making the transition to adulthood. The opportunity costs of enrolling in school, both in terms of foregone earnings and lost family time, are generally lower at these ages than they are for adults age 25 and over. The higher pay levels that accrue to additional years of work experience and the much higher rates of family formation for those over the age of 25 make young adulthood the best time to engage in formal schooling activities that bolster long-term labor market success.

The school enrollment rate of young adult residents of Los Angeles and Long Beach cities increased sharply between 2000-01 and 2008-09. In the 21 months between January of 2000 and September of 2001, 47 out of every 100 16- to 24 year olds residing in the two cities were attending school. Eight years later in 2008-09, the school enrollment rate stood at 52.4 percent in 2008. In just 8 years, there was a 5 percentage point increase in the share of

young adults who were enrolled in school, representing a relative increase of nearly 11 percent. Where exactly did the increased school enrollment occur? To answer this question we have examined trends in the high school enrollment rate and the college enrollment rate. Data presented in Chart 5 reveal that all of the increase in enrollment among youth in LA/LB cities occurred in the college going rate. The share of youth enrolled in high school remained unchanged (declined by 4/10ths of a percentage point) between 2000-01 and 2008-09. In the meanwhile, the college enrollment rate increased sharply from 22.9 percent in 2000-01 to 28.3 percent in 2008-09. The college enrollment rate of youth in the LA/LB city area increased by 5.4 percentage points representing a relative increase of nearly 24 percent.

Chart 5:
Percent of the 16- to 24-Year Old Young Adult Residents that were Enrolled in School, by Type of School, January 2000 to September 2001 and January 2008 to September 2009



Very similar patterns of change in school enrollment occurred across the state. The overall school enrollment rate of 16- to 24-year old residents of California increased from 50 percent in 2000-01 to 56 percent in 2008-09. The 6 percentage point increase represented a relative increase in school enrollment of 12 percent. Trends in high school enrollment across the state reveal a small increase of less than 2 percentage points from 23.5 percent in 2000-01 to 25.2 percent in 2008-09. All of the remaining increase in enrollment occurred in college going rates. Postsecondary enrollment rate in the state increased sharply from 26.6 percent in

2000-01 to nearly 31 percent in 2008-09, a rate of enrollment that increased one-sixth over the 8 year period.

Nationwide there have been similar increases in enrollment in school, particularly in community colleges and post secondary two year private and trade schools.² A report in *USA Today* in July 2009 cited the executive director of the American Technical Education Association, Betty Crump saying, that as economic struggles and unemployment plague much of the nation, post high school vocational schools across the nation are seeing significant spikes in enrollment. The same article stated that community colleges, which offer most vocational training for Californians out of high school, "are experiencing a renaissance" and that enrollment in state's community colleges was up to 2.2 million, up from 1.8 million last year.³ The New York Times reported the findings of a Pew Research Center report that 40 percent of the nation's 18- to 24-year-olds in 2008 were enrolled in college which is a record number that was almost entirely driven by a surge in students attending community colleges. The same report found that the number of young adults enrolled at community colleges was about 3.4 million or 11.8 percent of young adults up from 3.1 million, or 10.9 percent of young adults in 2007. The Pew report also said that enrollment at four-year colleges was essentially flat.⁴ There have been numerous stories in newspapers across the country citing sharp increases in enrollment in community colleges and trade schools.⁵

School enrollment rates typically increase especially among young adults many whom return to school when employment opportunities shrink during a recession. Given that all of the increase in enrollment has occurred in the college going rates, is one more indicator that young adult residents of LA.LB cities have voluntarily chosen to attend school in an economic environment which has provided them with very few employment opportunities.

² Cite some statistics of rising enrollments in community colleges and trade schools.

³ Clay Carey, "Trade schools boom with enrollees twice the age of typical student," *USA TODAY*, July 19, 2009.

⁴ Tamar Levin, "College Enrollment Set Record in 2008." *New York Times*, October 29, 2009

⁵ See: (i) Ryan Sharrow, "Recession and layoffs boost enrollment at career colleges," *Baltimore Business Journal*, January 30, 2009; (ii) Daniel B. Wood "Suddenly, vocational training back in vogue: Enrollment soars in 'career technical ed,' as demand grows for workers with specific skills." *The Christian Science Monitor*, October 12, 2006; (iii) Enrollment at the California Community Colleges Skyrockets to 2.9 Million, Announcement Issued on Eve of Secretary Duncan's Visit to State Capitol, Press Release, California Community Colleges, Chancellor's Office, September 2, 2009; (iv) Kira Millage, "Bad economy has been a boon for 2-year colleges." *The Bellingham Herald*, December 14, 2008; (v) Lisa W. Foderaro, "Two-Year Colleges, Swamped, No Longer Welcome All" *New York Times*, November 11, 2009.

Findings from an examination of the trends in the school enrollment rates across different demographic subgroups of young adults in the cities of Los Angeles and Long Beach are presented in Table 7. The school enrollment rate increased among male as well as female young adult residents of LA/LB cities. However, the increase was larger among males than females (5.4 percentage points or 12 percent among males versus 4.6 percentage points or 9 percent among females. Despite the larger increase among males, females in LA/LB cities continued to enroll in school at higher rates than males. In 2000-01, the female school enrollment rate exceeded that of their male counterparts by 5.2 percentage points. In 2008-09 this gap fell to 4.4 percentage points.

Today, as well as for many years in the past, young women are more likely to stay in school, graduate from high school, enroll in college, and persist in college and graduate with a postsecondary degree than young men. This is true across the nation as well as in LA/LB. While some react to this reversal of the gender gap by saying, “its about time,” the newer female-advantage gender gap in education is as insidious as the historical male-advantage gender gap. Many of the men who remove themselves from the educational system also detach themselves from the labor market. These marginalized men end up living on the margins of society—often involved in behaviors that result in undesirable personal outcomes for themselves and those whose lives they touch.

Poorly educated men who remain in the labor market are more likely to be relegated to the low-wage labor market and fail to earn a living necessary to support a family. Changes in the industrial composition of employment and the occupational staffing patterns of industries over the past two decades have resulted in sizable increases in the economic rewards to individuals with high levels of education and a sharp deterioration in the employment and earnings of poorly educated individuals. Today, young men who fail to complete high school or terminate their educational efforts early, face a much tougher economic environment than they did two decades ago.

The economic marginalization of these men also leads to their social marginalization. They are much less likely to marry or take on the economic responsibility of supporting a family. One of the unfortunate results of this trend is an increase in births to unmarried women and the formation of single mother families that are known to be at a much higher

risk of poverty and economic hardship than two parent families. The upbringing of children in poverty has a whole host of insidious consequences on their cognitive development and future social and economic outcomes.

The adverse consequences of the gender gap are therefore not restricted to just the young men who truncate their schooling but extend to women, children, and the overall economy. These men are less likely to participate in the labor market and even when they do participate in the labor market they are most likely restricted to low skill jobs. These gender gaps also strain the public coffers from an increased reliance on public assistance by the men themselves and by the increased numbers of single mother families formed due to the inability of these men to marry and support a family. Since these poorly educated men are less likely to work and when they do work they earn low wages, they make disproportionately small contributions to tax revenues which would further strain the public coffers. It is therefore imperative to address this problem and reduce the gender gap by raising the enrollment and education of men while continuing the progress made by women. The trends in the school enrollment rates between 2000-01 and 2008-09 in among young adults in LA/LB cities have led to a small reduction in the gender gap in school enrollment.

Unsurprisingly the school enrollment rates are higher among 16- to 20 year olds than among 21- to 24-year olds. Until age 18, most youth are engaged in secondary school after which most college enrollment activity occurs between the ages of 18 and 22. School enrollment among 23 and 24 year olds is likely to be graduate school enrollment. Between 2000-01 and 2008-09, the school enrollment rate increased by 6 percentage points or by 9 percent, from 66 percent to 72 percent while among 21-24 year old youth in LA/LB cities, the rate of enrollment in school increased by nearly 5 percentage points from 27 percent in 2000-01 to 31 percent in 2008-09. This increase represents over one-sixth rise in the enrollment rate among the 21-24 year old residents of the two cities. Employment rates fell sharply among teens as well 21-24 year old residents and it appears that many chose to switch their joblessness to schooling.

School enrollment rates of young adults in LA/LB cities rose sharply with family income. In 2000-01, the school enrollment rate of young adults increased consistently with

Table 7:
Percent of the 16- to 24-Year Old Young Adult Residents that were Enrolled in School, by
Selected Characteristics, Los Angeles and Long Beach Cities, January 2000 to September
2001 and January 2008 to September 2009

Characteristics	2000- 2001	2008- 2009	Absolute Change (Percentage Points)	Relative Change
All	47.4%	52.4%	5.0%	10.6%
<u>Gender</u>				
Male	44.8%	50.3%	5.4%	12.1%
Female	50.0%	54.7%	4.6%	9.2%
<u>Age</u>				
16-20	65.5%	71.5%	6.0%	9.2%
21-24	26.5%	31.2%	4.7%	17.6%
<u>Family Income</u>				
Under \$20,000	39.9%	53.4%	13.5%	33.8%
\$20,000-\$59,999	47.6%	48.5%	0.8%	1.8%
\$60,000+	64.2%	57.9%	-6.3%	-9.8%
<u>Educational Attainment</u>				
High school graduate	24.4%	31.1%	6.6%	27.2%
Some college	60.9%	64.2%	3.3%	5.4%
Bachelor's or higher	32.3%	23.4%	-9.0%	-27.7%

family income rising from 40 percent among youth with annual family incomes below \$20,000 to 48 percent among those from families with incomes between \$20,000 and 60,000, and 64 percent among those with family incomes above \$60,000 per year. The income ranges are not directly comparable between 2000-01 and 2008-09 since these are not adjusted for inflation which means, for example, that the income bracket \$20,000 to \$59,999 represents a higher real income in 2000-01 than it does in 2000-09. Keeping this limitation in mind, a look at the trends in enrollment rates by family income indicate that youth from the lowest income families had the sharpest increase in school enrollment rates. These youth were one-third more likely to be enrolled in school in 2008-09 than they were in 2000-01. These trends also point out to a substitution of schooling for the sharply deteriorated labor market outcomes of young adults, particularly from lower income families.

Trends in school enrollment by the level of educational attainment among young adults in LA/LB cities confirm the findings from our earlier analysis of trends in the high

school enrollment rate which remained unchanged and the college going rate which increased sharply among youth in LA/LB cities. Most of the increase in enrollment has occurred in the form of entry into postsecondary education. School enrollment among youth with just a high school diploma increased by nearly 7 percentage points or 27 percent while among those with some postsecondary education below the bachelor's degree level, enrollment increased by 3 percentage points or just 5 percent. Enrollment among those who possess a bachelor's or higher degree (representing graduate school enrollment) actually declined from about one-third in 2000-01 to less than one-quarter in 2008-09.

School and Work and Disconnection

Previous sections of this report discussed separately the labor market outcomes, and employment and schooling activities of young adult residents of the cities of Los Angeles and Long Beach with selected comparisons with these outcomes in the entire state of California. In this section we explore the connection between school and work among young adults. Among school-going youth, many choose to mix work and school. Youth who combine work and school raise their school-based proficiencies as well as work-based skills.

Early employment typically occurs in what is frequently referred to as the kid labor market—jobs that are typically staffed by young workers such as cashiers in retail establishments, counter service jobs at fast food establishment, waiting tables, and so on. These jobs may not be career jobs, but they provide young workers with a valuable introduction to the world of work. Workers learn many soft skills like punctuality, proper work attire, the art of communication, coordination of work activities with a team, and the like. Employers place tremendous value on these 'soft skills. These skills cannot be acquired in a classroom and are only acquired on the job. As young workers mature and progress into the adult labor market, their early work experiences can introduce them to alternate career pathways and sharpen their choice of field of study when they pursue post secondary education or training.

These benefits of employment are not restricted to older youth. Even teenagers and high school students benefit from labor market experience. Since 1985, we have studied the post-graduation labor market outcomes of graduates of the Boston Public Schools (BPS) one

year after they graduated from high school. Our research has consistently found that graduates who worked while they were enrolled in high school were more likely to be employed and also more likely to enroll in college after graduation. A longer-term follow-up study of the employment and earnings of BPS graduates found that even in the long term, graduates who mixed work and school in high school were more likely to be employed and had higher earnings than their counterparts who did not work or worked only intermittently during their high school years.

At what rate do young adult residents of LA/LB mix work and school? What happened to the different combinations of work and school activities among young adults in Los Angeles and Long Beach cities between 2000-01 and 2008-09? Young adults may participate in one out of four work and school combinations—mix work and school, enroll in school only (no work), engage in work only (no school), and the last category that consists of youth who are engaged in neither—out of school and out of work—youth who are disconnected from school and work.

An examination of the percentage distribution of young adults across different combinations of the two activities in LA/LB cities and California are presented in Table 8. Earlier at the beginning of the decade in 2000-01, only 14 percent of young adult residents of LA/LB cities were combining work and school. Combining work and school was the least common activity among youth in these cities. Some teachers and parents have voiced concerns about the effect of employment on the academic performance of students, particularly high school students. While it is true that enrolled youth have time constraints due to their schooling activities, research in this area reveals that employment in the range of 20 hours per week does not have adverse impacts on the school performance of high school students. Reasonable amounts of employment among school-going youth can increase their work-based skills without any sacrifice of their school-based performance.

Many students however, do not combine their schooling activities with employment. One in three young adult residents of the cities of Los Angeles and Long Beach were enrolled in school but were not employed in 2000-01. These young adults missed the opportunity to increase their work-based skills and get an early introduction to the world of work. Early entry into the labor market is particularly important among students and young adults who live in economic hardship and have limited access to networks to connect them to

the labor market. Unfortunately, it is these very students who are least likely to combine work and school.

Table 8:
Percentage Distribution of Young Adults (16-24 Year Old) by their Schooling and Employment Activities, January 2000 to September 2001 and January 2008 to September 2009, Los Angeles and Long Beach Cities and California

Schooling and Employment Activities	2000-2001	2008-2009	Change (% points)	Relative Change
<u>Los Angeles and Long Beach Cities</u>				
School & work	14.4%	14.2%	-0.2	-1.4%
School only	33.0%	38.2%	5.2	15.8%
Work only	36.1%	28.3%	-7.8	-21.6%
Out of school and out of work	16.5%	19.3%	2.8	17.0%
Total	100.0%	100.0%	---	
<u>California</u>				
School & work	20.4%	17.7%	-2.7	-13.2%
School only	29.8%	38.4%	8.6	28.9%
Work only	35.0%	27.0%	-8.0	-22.9%
Out of school and out of work	14.9%	16.9%	2.0	13.4%
Total	100.0%	100.0%	---	

The remaining half (52 percent) of young adults residents were not enrolled in school in 2000-01. Paid employment was the sole activity of 36 percent of the city’s young adult residents and the remaining 16.5 percent were neither in school nor at work.⁶

⁶ Our previous analysis of the rate of disconnection from school and work in the report titled *One out of Five* reported a disconnection rate of nearly 20 percent. The difference between the two estimates is largely due to the difference in the data used to compute these data. The one in five estimate of the disconnection rate was based on the 2000 decennial census data gathered at one point in time—April 2000. The estimate above of 16.5 percent is based upon the monthly work and school enrollment status of respondents in 21 consecutive months from January 2000 to September 2001. The likelihood of a young adult being employed or in school is higher across 21 points in time (21 months) than it is at one point in time—April 2000. Additionally, each estimate refers to a different time period—the decennial census measures activities in April 2000 whereas the CPS estimate presented in this report measures youth activities during 21 months across two years. The two data sets and estimates from these two datasets are therefore not perfectly comparable. Furthermore, each has a different data collection method that may account for some of the differences in estimates from the two. We suggest that a direct comparison not be made between the disconnection rate estimates provided in this report with the ones provided in the *One in Five* report. It is for this reason that we have provided a comparison of the schooling and work activities of young adults in 2000-01 as well as 2008-09 from the same data base—the Current Population Survey—to provide accurate comparisons and trends in these measures. (Neeta P. Fogg and Paul E. Harrington,

Across the state, young adults were much more likely to mix work and school in 2000-01 than their counterparts in LA/LB cities. Although higher than Los Angeles and Long Beach cities, just over one-fifth of young adult residents of California were mixing work and school at the time of the 2000-01 CPS surveys. Three out of ten youth were enrolled in school but not employed. Another 35 percent were just engaged in employment without being enrolled in school. The remaining 15 percent of 16- to 24-year old residents of the state were disconnected from work and school in 2000-01.

The current recession has sharply reduced job opportunities particularly for youth. Scarce employment opportunities have reduced the employment rate among young adults. Previous sections have illustrated the sizable declines in employment among youth and the resulting withdrawal from the labor force among these youth. Youth who are not working can either remain without work or shift their focus by enrolling in school as an alternative to work. The data presented in Table 8 indicate that many of the youth who lost their jobs decided to enroll in school. This trend occurred in Los Angeles and Long Beach cities as well as statewide in California.

The share of young adult residents of LA/LB cities that chose to mix school and work remained almost unchanged between 2000-01 and 2008-09. There is a very small decline in the share of youth who mixed school and work, 0.2 percentage points. This suggests that a very small number of those who mixed school and work may have been forced to engage in just schooling after losing their job. The proportion of youth in LA/LB cities who were only engaged in work declined sharply from 36 percent in 2000-01 to 28 percent in 2008-09 and those who were just attending school increased sharply from 33 percent in 2000-01 to 38 percent in 2008-09. The share of disconnected youth increased by nearly 3 percentage points or 17 percent in Los Angeles and Long Beach cities.

Statewide, there was a decline in the number of youth mixed school and work. In 2000-01 over 20 percent of 16- to 24-year old youth were mixing work and school. In 2008-09, the share of youth mixing work and school declined to 17.7 percent; a 2.7 percentage point decline representing a 13 percent relative decline. The share of those who were only

One Out of Five: A Report on Out of Work and Out of School Youth in Los Angeles and Long Beach, November 2004).

engaged in work declined by 8 percentage points, from 35 percent in 2000-01 to just 27 percent in 2008-09. At the same time, school going rates increased sharply. The share of Californian young adults who just attended school increased from 30 percent in 2000-01 to over 38 percent in 2008-09. Statewide, the disconnection rate increased by 2 percentage points to nearly 1 percent in 2008-09, representing a relative increase of 13 percent

These shifts in youth activities suggest that many of the young adults in the two cities who lost their jobs during the current recession chose to enroll in school and just a few joined the ranks of disconnected youth. As noted in a previous section, enrollment in colleges and postsecondary trade schools has increased sharply during this recession and the cities of Los Angeles and Long Beach have seen the same trends among their young adult residents. The data reveal very similar changes occurred in the work and schooling activities of young adults across the state.

If young adults who lost their jobs had not shifted their activities to schooling, the disconnection rate would have increased sharply. On the other hand, if young adults had increased their school-going rate without a decline in their employment rate the disconnection rate would have sharply declined. We have simulated the rate of disconnection among young adult residents of Los Angeles and Long Beach cities and in the entire state of California under two alternative scenarios. Scenario I simulates the incidence of disconnection in 2008-09 by keeping the share of youth who mixed school and work and the share of youth who were just enrolled in school at the 2000-01 level and allowing the share of youth who were just working (not enrolled in school) to decline to the 2008-09 level. Scenario II simulates the incidence of disconnection in 2008-09 by allowing the share of youth who mixed school and work and the share of youth who were just enrolled in school to increase to the 2008-09 levels and keeping the share of youth who were just working (not enrolled in school) to at the 2000-01 level.

Scenario I simulates the rate of disconnection among young adults had they not shifted from joblessness to school but from joblessness to disconnection. There are two adjustments that we have made to estimate the hypothetical distribution of youth across the four categories of school and work activities. The first adjustment is made for the category mix school and work. Since the share of those who mixed school and work declined in the

two cities (albeit by a very small amount) and in the state, we believe that the decline may have been the result of in-school youth losing their jobs and being classified as just attending school. In our hypothetical distribution for 2008-09, we have assumed that the share of those who mixed school and work remained unchanged at the 2000-01 level.

The second adjustment is in the category, “school only.” We have kept the share of “school only” category in the hypothetical distribution at the 2000-01 level. The third category of work only remains the same in the hypothetical distribution as it is in the actual 2008-09 distribution. The final category in the hypothetical distribution, out of school and out of work or disconnected youth, consists of the remainder of the total number of young adult residents in the area in 2008-09. Had the young adult residents not chosen the school alternative and had decided to remain idle when they were rendered jobless in the recession,

Table 9:
Actual and Hypothetical Percentage Distribution of Young Adults (16-24 Year Old) by their Schooling and Employment Activities, January 2008 to September 2009, Los Angeles and Long Beach Cities and California

	ACTUAL			<u>HYPOTHETICAL SCENARIO I:</u> 2000-01 rates of school & work, school only; 2008-09 rate of work only		<u>HYPOTHETICAL SCENARIO II:</u> 2008-09 rates of school & work, school only; 2000-01 rate of work only	
	(A) Actual % Distribution in 2000-01	(B) Actual 2008-09	(C) Actual % Distribution 2008-09	(D) Hyp., 2008-09	(E) Hyp. % Distribution, 2008-09	(F) Hyp., 2008-09	(G) Hyp. % Distribution, 2008-09
Los Angeles and Long Beach Cities							
School & Work	14.4%	94,786	14.2%	96,103	14.4%	94,768	14.2%
School only	33.0%	255,114	38.2%	220,236	33.0%	254,940	38.2%
Work only	36.1%	188,648	28.3%	188,648	28.3%	240,925	36.1%
Disconnected	16.5%	128,834	19.3%	162,395	24.3%	76,749	11.5%
Total	100.0%	667,382	100.0%	667,382	100.0%	667,382	100.0%
California							
School & Work	20.4%	852,701	17.7%	983,150	20.4%	853,027	17.7%
School only	29.8%	1,850,260	38.4%	1,436,170	29.8%	1,850,636	38.4%
Work only	35.0%	1,300,052	27.0%	1,300,052	27.0%	1,686,777	35.0%
Disconnected	14.9%	816,351	16.9%	1,099,991	22.8%	428,923	8.9%
Total	100.0%	4,819,364	100.0%	4,819,364	100.0%	4,819,364	100.0%

as we have assumed in our Scenario I simulation, then in 2008-09 the disconnection rate would have been 24.3 percent among young adult residents of Los Angeles and Long Beach cities and 23.8 percent among their counterparts in California (Table 9, Columns D and E).

If however young adults in the two areas had increased their school-going rates without the sharp decline in their employment rates, as assumed in Scenario II in Table 9, then the rate of disconnection in the cities of Los Angeles and Long Beach as well as the entire state would have been considerably lower. The results from such a change are presented in Columns F and G in Table 9. In Los Angeles and Long Beach cities the rate of school and work and school only would be at the current 2008-09 levels (14.1 percent of youth mixing school and work, 38.2 percent in school only, Col G) and the rate of work only would be at the level in 2000-01 (36.1 percent instead of the actual 2008-09 level—28.3 percent). Had this been the case, the share of young adults who were disconnected (out of school and out of work) would have been only 11.5 percent instead of the actual rate of 19.3 percent or the hypothetical rate 24.3 percent if the young adult residents of the cities had chosen to not increase their school-going rates.

Out of School and Out of Work

The importance of keeping young adults actively engaged in schooling and labor market activities has been consistently revealed in youth development literature and national research on the long-term economic and social experiences of youth. The concept of ‘disconnected youth’ has been used by Douglas Besharov and other youth development researchers to describe the population of youth not engaged in schooling or employment activities. Youth who are disconnected from mainstream schooling and labor market activities are far more likely to engage in criminal activities, anti-social behaviors, and teenage parenting. Their limited human capital and social behaviors lead to considerable difficulties in obtaining well-paid employment in their young adult years and place them at high risk of poverty and dependency. Disconnected youth are also a drain on the labor supply. Youth development programs as well as workforce development programs should aim to minimize the numbers of ‘disconnected’ 16-24 year olds who are both out of school and out of work.

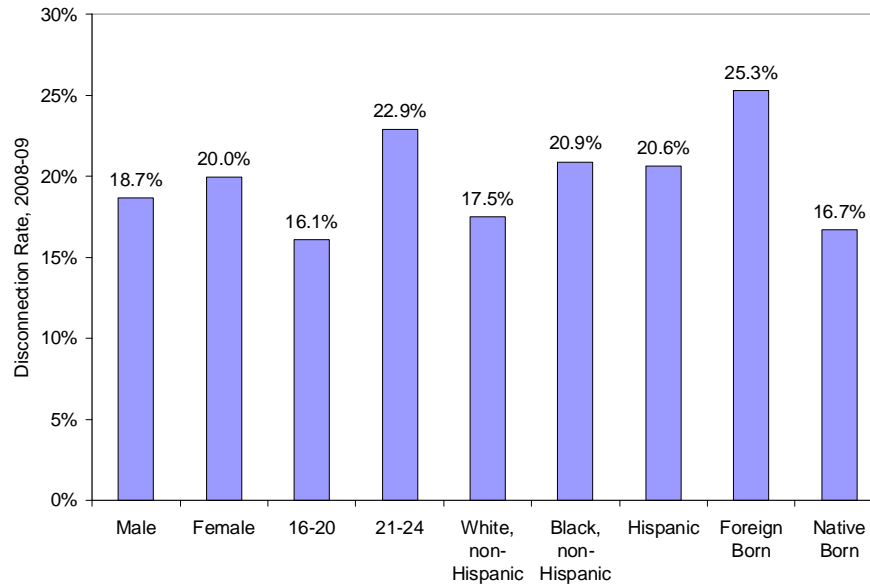
Disconnection Rates by Demographic and Economic Characteristics

The sections above presented a discussion of how young adults in Los Angeles and Long Beach cities and the state of California combined work and school in 2000-01 and 2008-09. A comparison of all work and schooling activities of young adults over the 8 year period allowed us to assess the types of adjustments that young adults have made to the sharp decline in employment opportunities created by the sharp job losses during the recession that began in December 2007. The sharp increase in school enrollment combined with a sharp decline in employment indicates that many of the young adults have made a positive adjustment to their recent joblessness by enrolling in school instead of remaining idle after losing their jobs. In the absence of this positive adjustment by young adults, the disconnection rate would have risen sharply during the past 21 months. We provided an estimate of the hypothetical rate of idleness among young adults had they chosen to substitute their joblessness with idleness instead of school.

However, despite the switch to schooling by many jobless youth, there were some who failed to make that positive switch and became idle. One in five young adults in Los Angeles and Long Beach cities was out of school and out of work in 2008-09. In this section we present the variation in disconnection rates across different subgroups of young adults and compare the demographic and socioeconomic characteristics of disconnected youth with those of young adults who are not disconnected from school and work.

An examination of the idleness rates by gender, age, and race-ethnicity is presented in Chart 6. In 2008-09, young adult females were slightly more likely than males to be disconnected in Los Angeles and Long Beach cities. Out of work and out of school youth accounted for 20 percent of young adult females and 18.7 percent of young adult males in LA and LB cities. Many of the young women who are disconnected from work and school are often engaged in raising their children and many of their children are born out of wedlock. Early childbearing among young women, particularly teenagers often inflicts a high cost in the form of truncated education and limited work experience, which, in turn, sharply reduces their current and future employment and earnings. The consequences of disconnection from work and school are equally detrimental among males and females even though many of the disconnected young women may be engaged in raising children.

Chart 6:
A Comparison of the Proportion of Young Adults in Los Angeles and Long Beach Cities That were Out of School and Out of Work, by Gender, Age, and Race-Ethnicity, 2008-09



The differences in the incidence of disconnected youth were particularly sharp between teenagers and those between the ages of 21 and 24. Since many teens were still enrolled in school, their likelihood of disconnection was smaller than that of older youth who were in their early and mid-20s. Nearly 23 percent of the 21- to 24-year old youth young adult residents of LA and LB cities were disconnected compared to 16 percent of 16- to 20-year old residents (Chart 6). The incidence of disconnection was also higher among race-ethnic minorities. Black and Hispanic young adult residents of Los Angeles and Long Beach cities were over 3 percentage points more likely to be disconnected from school and work compared to their White counterparts. Nearly 21 percent (20.9 percent) of Black residents and about the same share (20.6 percent) of Hispanic youth in LA and LB cities were out of school and out of work at the time of the 2008-09 CPS surveys. In the meanwhile, the disconnection rate among young adult White residents was 17.5 percent.

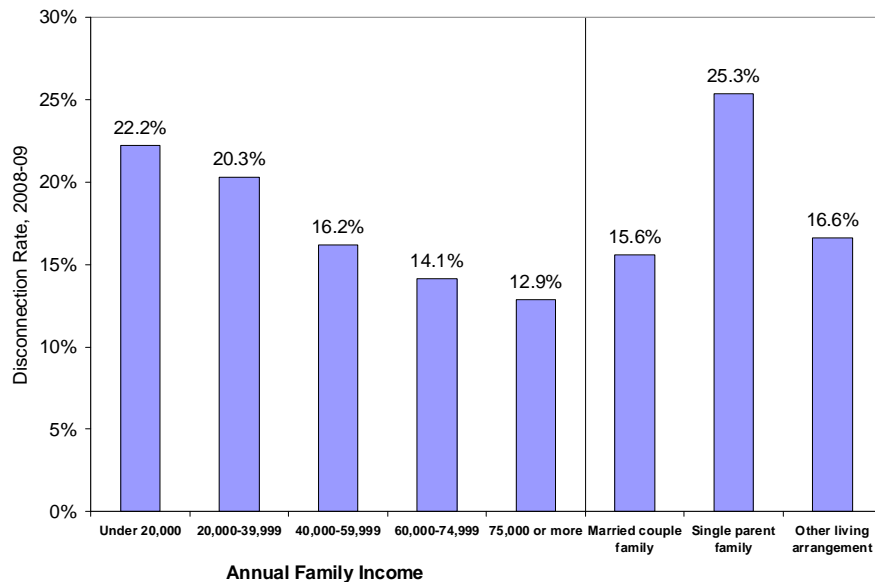
These differences in disconnection rates were especially large between young adults who were born abroad and their native born counterparts. Over one in four of foreign-born youth residing in the LA/ LB cities were out of school and out of work in 2008-09. In contrast, one in six native-born youth was disconnected in 2008-09.

Employment among youth is negatively related to family income. Although one might logically expect a higher rate of employment among youth from lower income families because of the greater need of additional breadwinners in these families, the employment patterns among youth do not reflect this logic. Youth from low income families are less likely to have working role models in their families and in the communities in which they live. Youth from low income families also live in communities with fewer employers and typically have limited access to employers in surrounding communities. Their lower family incomes mean that these youth have limited resources to find a job and limited access to information about employers and jobs. Also the school systems in communities with lower incomes may not have adequate resources to coach students and prepare them with the skills that are important to employers particularly in the case of new entrants to the labor market who do not have any previous employment experiences. The labor market is a social institution and so networking and connections are an essential component of gaining access to job opportunities, particularly among youth and other new entrants to the labor market. The networking capacity and connections to the labor market are not as strong among lower income families, further reducing the likelihood of gaining access to a job for low income young people. Enrollment in school is also negatively related to family income. Youth from lower income families are more likely to drop out of high school and less likely to pursue postsecondary education.

It is no surprise, therefore that the rate of disconnection from work and school is highest among young adults from lowest income families and declines steadily with higher family incomes. Over 22 percent of young adults from families with annual incomes below \$20,000 were disconnected from work and school in 2008-09. The idleness rate drops a little (20 percent) among youth from families with incomes between \$20,000 and \$40,000. The idleness rate continues to decline with higher levels of family income—16 percent among those with family incomes between \$40,000 and \$60,000; and 14 percent and 13 percent respectively among youth from families with incomes between \$60,000 and \$75,000 and \$75,000 or more. Youth from families with income above \$75,000 per year were over 9 percentage points less likely to be disconnected from work and school compared to their counterparts from \$20,000 or lower annual income families.

The living arrangements of youth are closely associated with their family incomes. Single parent families are considerably more likely than married couple families to have lower incomes and are at a much higher risk of poverty. There are a number of reasons underlying the differences in the economic status of these two types of families. As more and more women have joined the workforce, especially married women, a large majority of married couple families have two adult breadwinners. Single parent families do not have the option of another adult breadwinner. Another reason for higher incomes among married families is their educational attainment. The educational attainment of married couples is generally higher than of single parent family householders. And higher levels of educational attainment are closely associated with better labor market outcomes—employment and earnings.

Chart 7:
A Comparison of the Proportion of Young Adults in Los Angeles and Long Beach Cities
That were Out of School and Out of Work, by Family Income, 2008-09



The idleness rate of youth living in single parent families was found to be considerably higher than that of their counterparts living in married couple families. Young adult residents of Los Angeles and Long Beach cities who lived in single parent families were nearly 10 percentage points or two-thirds more likely as their counterparts living in married couple families to be disconnected from work and school in 2008-09 (25 percent versus 15 percent). A small share of youth in the cities of LA/ LB had other living

arrangements including living in their own households or in the households of other unrelated persons or in group quarters. In 2008-09, about 13 percent of all 16- to 24-year old young adult residents of Los Angeles and Long Beach lived in these types of non-family living arrangements. Among these individuals, the incidence of disconnection from work and school was nearly 17 percent.

Differences between Connected and Disconnected Youth

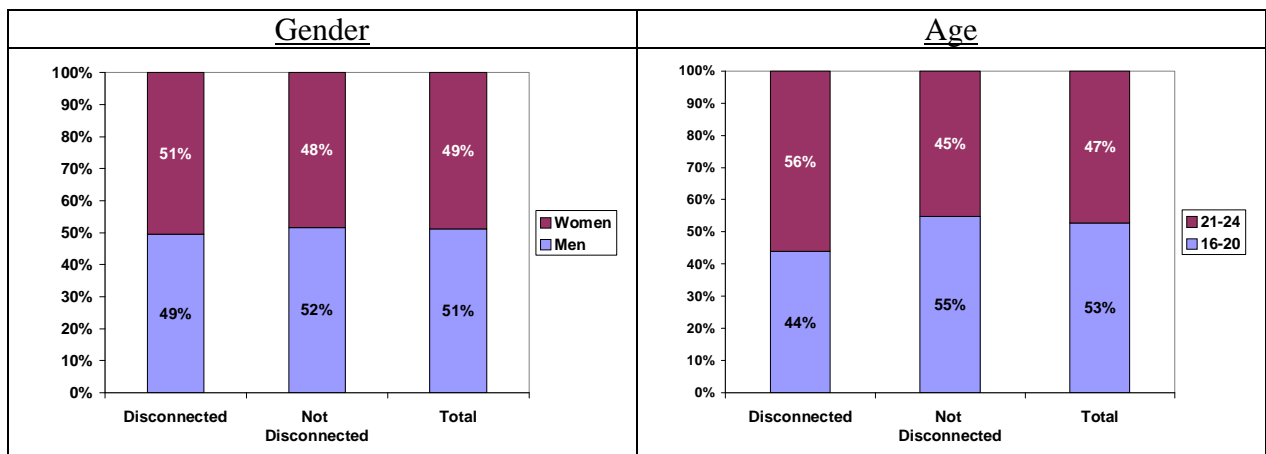
Analysis in the previous section clearly illustrates higher rates of disconnection among certain groups of youth. The demographic and socioeconomic traits of disconnected youth are therefore expected to be different compared to those of youth who are not disconnected. In this section of the report we present the characteristics of disconnected youth in Los Angeles and Long Beach cities in 2008-09 and a comparison with the characteristics of their peers who are not disconnected—those who are either working or in school or combining work and school. Our examination of the gender, age, race-ethnic, nativity, educational characteristics, living arrangements, and family income levels of disconnected youth reveals that this group of young adults in the Los Angeles and Long Beach cities contain higher shares of women, older youth, Hispanic, Black, immigrant, poorly educated youth and those living in single parent families and low income families.

Disconnected youth are slightly more likely than connected youth to consist of females. The overall population of young adults in the two cities had a small majority of men. Women represented 49 percent of the total population of young adults while men accounted for the remaining 51 percent. A comparison of the gender composition of disconnected youth with their counterparts who were connected to school and/or work finds that women are slightly overrepresented in the disconnected group of youth. Young women accounted for 51 percent of disconnected youth; 3 percentage points higher than their share of connected youth.

Disconnected youth are more likely to be older than connected youth. Individuals in their teens are more likely to be enrolled because of the mandatory attendance in secondary schools. Of course many young adults do not attend secondary schools even in their teenage years because they have dropped out of school. However, the rate of school attendance is

clearly higher among younger residents who are in their teens than those who are 21- to 24 years old. Enrollment among older youth is more likely to be postsecondary school enrollment which unlike secondary school attendance is voluntary. The different age composition of disconnected youth compared to those who are not disconnected is largely due to school attendance that connects several of the 16- to 18 or 19 year olds to school and removes them from the ranks of the disconnected. Disconnected youth in the cities of Los Angeles and Long Beach comprised of 44 percent 16- to 20-year olds and 56 percent of 21- to 24-year olds. In contrast, youth who were connected consisted of 55 percent 16-20 year olds and 45 percent of 21- to 24-year olds. Overall the young adult population of Los Angeles and Long Beach cities consisted of 53 percent 16- to 21-year olds and 47 percent 21- to 24-year olds.

Chart 8:
Percentage Distribution of Disconnected and Non-Disconnected Young Adult (16-24 Years Old) Residents of Los Angeles and Long Beach Cities, by Gender and Age, 2008-09

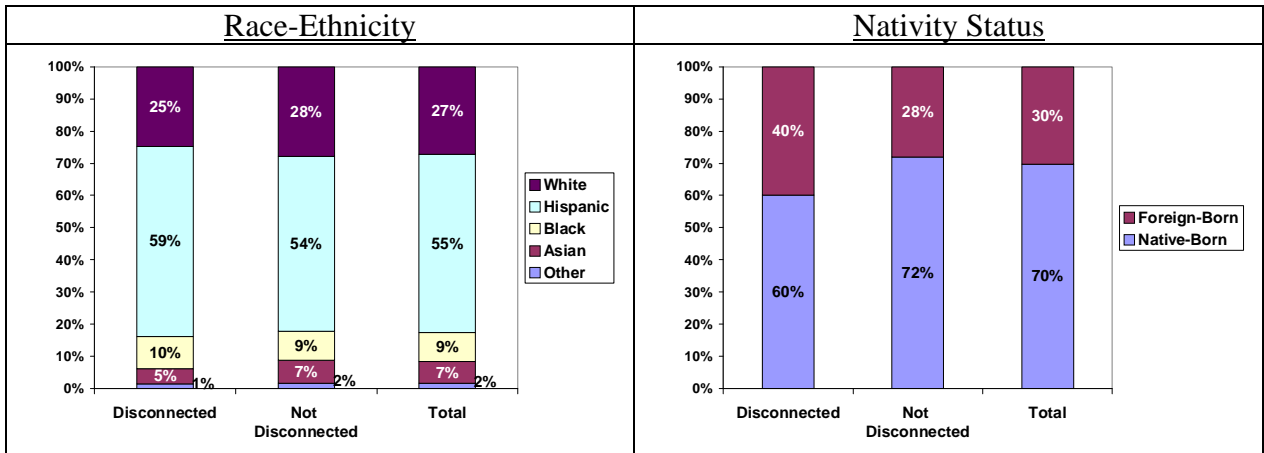


Analysis of the race-ethnicity and nativity characteristics of disconnected youth and their peers who are connected reveals that disconnected youth are more to be concentrated among the Hispanic and Black youth population and youth who were born abroad. A majority (55 percent) of all young adult residents of Los Angeles and Long Beach consist of Hispanic youth. The share of Hispanic youth among the disconnected was even higher, 59 percent, whereas they comprised 54 percent of non-disconnected youth in the two cities. White youth comprised one-quarter of all disconnected youth and 28 percent of connected

youth. Although only one in nine young adult residents of these cities was Black, the share of Black youth among the disconnected was slightly higher, 10 percent.

Three out of ten young adults living in Los Angeles and Long Beach cities were born abroad. Foreign-born immigrants accounted for a disproportionately large share of disconnected youth. Four out of every ten disconnected young adult resident in the two cities consisted of immigrants; 12 percentage points or 43 percent higher than their 28 percent share among connected youth.

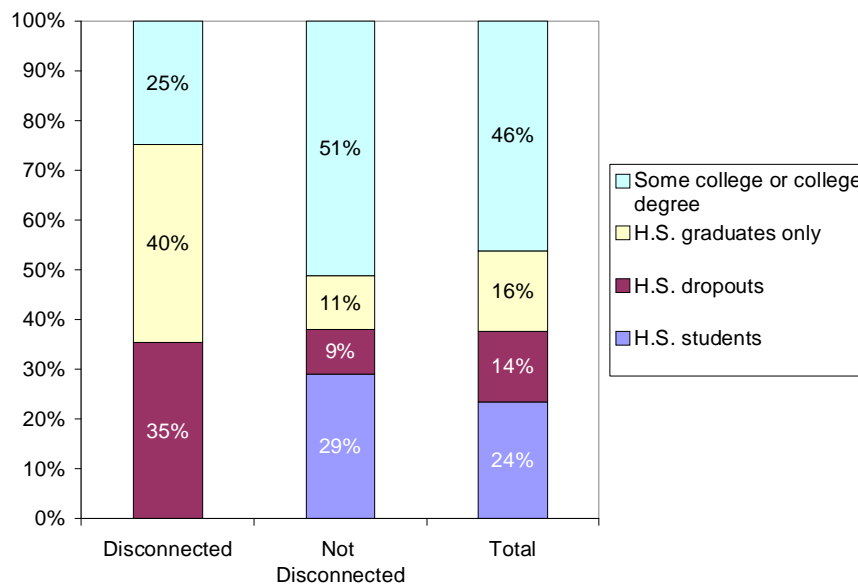
Chart 9:
Percentage Distribution of Disconnected and Non-Disconnected Young Adult (16-24 Years Old) Residents of Los Angeles and Long Beach Cities, by Race-Ethnicity and Nativity Status, 2008-09



The sharp differences between the educational characteristics of disconnected youth and their in-school or employed counterparts are presented in Chart 10. Disconnected youth were considerably more likely to be poorly educated than those who were in school or employed. High school dropouts comprised 35 percent of disconnected youth in Los Angeles and Long Beach cities, four times greater than their share among the in-school or employed young adult population of the two cities (9 percent). High school graduates also were over represented among disconnected youth accounting for 40 percent of disconnected youth and 11 percent of their counterparts who were either in school or working at the time of the 2008-09 CPS surveys. Young adults with postsecondary education were more likely to be enrolled in school or employed. Youth with postsecondary education below a bachelor’s degree level comprised one quarter of disconnected youth compared to over one-half of their in-school or

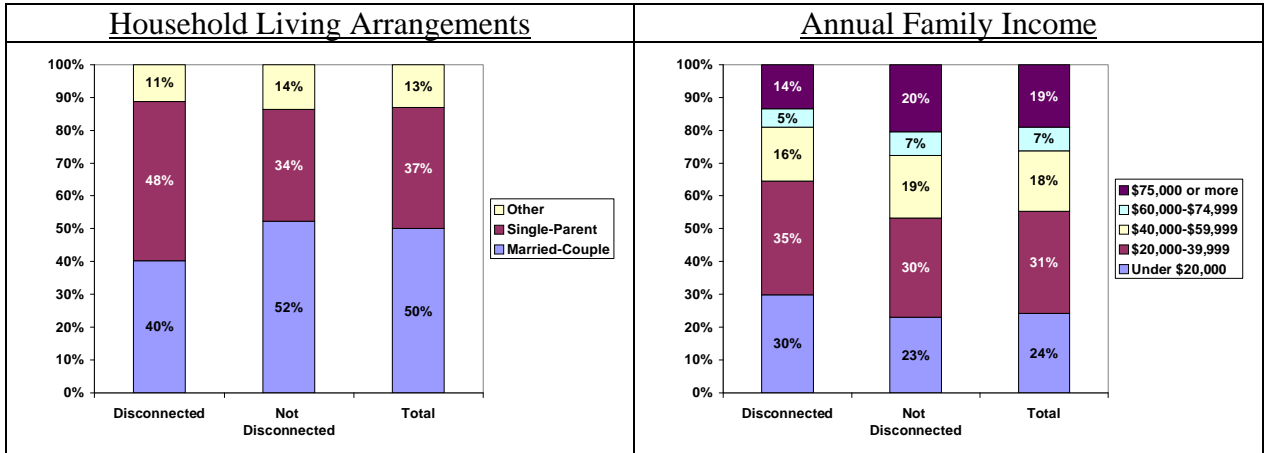
employed counterparts. Educated youth clearly were more likely to be engaged and less at risk of detaching themselves from education and work. Young adults with higher levels of education were considerably more likely to access jobs and/or continue to educate and invest in themselves.

Chart 10:
Percentage Distribution of Disconnected and Non-Disconnected Young Adult (16-24 Years Old) Residents of Los Angeles and Long Beach Cities, by Educational Attainment, 2008-09



The family living arrangements of disconnected youth were very different from their peers who were in school or employed. Disconnected youth were much more likely to live in single parent families and much less likely to live with both parents. Slightly less than one-half of young adults who were out of school and out of work lived in single parent family households, typically in single mother families, compared to one-third of those who were in school or employed at the time of the 2008-09 CPS surveys. Disconnected youth were much less likely than connected youth to live with two parents (40 percent versus 52 percent). Independent living arrangements in their own household alone or with others or in group quarters is also slightly less likely among disconnected youth. Eleven percent of disconnected youth had other non-family living arrangements compared to 14 percent of youth who were connected to work or school.

Chart 11:
Percentage Distribution of Disconnected and Non-Disconnected Young Adult (16-24 Years Old) Residents of Los Angeles and Long Beach Cities, by Household Living Arrangements and Annual Family Income Level, 2008-09



Youth from the least affluent families make up much larger shares of those who were out of school and out of work in 2008-09 in the cities of Los Angeles and Long Beach. Three out of every ten disconnected youth had annual family income under \$20,000 in 2008-09. The \$20,000 income level is 16 percent above the 2008 poverty income threshold for a 3 person family and a little below the poverty income threshold for a 4 person family. In 2008, the poverty income threshold for a 3 person family was \$17,200 whereas the poverty income threshold for a 4 person family was \$22,000. Among in-school or employed young adults in Los Angeles and Long Beach cities, 23 percent lived in families with annual income below \$20,000. Nearly two-thirds of disconnected youth lived in families with annual incomes below \$40,000 versus just over one-half of their peers enrolled in school or at work. Disconnected youth were less concentrated at the upper income levels. About 19 percent had family incomes of \$60,000 or more compared to 27 percent of in-school or employed youth.

Conclusion

Young adults who are disconnected from education and employment lose the opportunity to acquire human capital and skills that are critical to success in the labor market. Most members of the overall workforce spend their young adulthood in school and the labor market to take the first steps towards their educational and career goals. Those who fail to do

so are left behind and find themselves in a very disadvantageous position. Most of these disconnected youth are at high risk of participating in unproductive activities. Many disconnected young men become involved in criminal activities and live on the fringe of society. Among young women, disconnection from education and employment frequently results in very poor outcomes and including increased chances of out-of-wedlock childbearing at a young age. Most unwed births result in the formation of single mother families that are at a considerably higher risk of poverty and economic hardship and are known to disproportionately rely on public assistance.

The prevalence of disconnection among young adults also has deleterious consequences for society at large. In addition to the problems that stem from the participation of these youth in criminal activities, society also bears economic costs in the form of increased dependence on public assistance among these youth, particularly among single mothers. Since disconnected males are less likely to marry and form families, this lack of marriageable men leads to increases in the formation of single mother families that are much more likely to be poor and dependent. Economic development suffers because these young adults are poorly educated and have very little or no work experience and thus are not able to contribute to the labor supply needs of the economy. Moreover, youth who are not employed do not make any tax contributions to public coffers.

The current economic recession has led to a somewhat different kind of adjustment to joblessness among some young adults. While one in five young adults in the cities of Los Angeles and Long Beach are out of school and out of work, many youth have chosen to enroll in school after losing their jobs during this recession instead of being disconnected from work and school. As employment rates have declined sharply, school enrollment rates have increased. In the cities of Los Angeles and Long Beach the entire increase in school enrollment has been at the postsecondary level. As noted in a previous section of this report, postsecondary enrollment particularly in community colleges and trade schools has risen to record levels nationwide. It appears in Los Angeles and Long Beach that increasing numbers of youth have chosen to switch to school instead of remaining both out of work and out of school. This type of change in the behavior of youth is quite positive and in our view reflective of a desire among these teens and young adults to lead a more full and productive life. These young people clearly see that investment in human capital through additional

formal schooling will increase the productive abilities and open doors closed to their counterparts who remain disconnected.

While a very positive trend when compared to the alternative of disconnection, the changed behavior of young adults and their increased enrollment in community colleges and trade schools poses many additional challenges to postsecondary educational institutions, particularly community colleges where most of the additional enrollment has occurred. These institutions will have to increase their institutional capacity and devise strategies to not just provide proper instruction and facilities to a rapidly growing body of students, but more importantly to devise strategies to increase the persistence, retention, and graduation from college of this burgeoning student population. A strong response from community colleges to meet the challenge imposed by the influx of new students will go a long way to steer the new students towards educational success leading to success in the job market and in meeting the President's goal of 5 million additional associate's degrees over the next decade.