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# BARRIERS TO ENTRY

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*The Increasing Challenges Faced by Young Adults  
In the New York City Labor Market*

PREPARED FOR AND WITH THE SUPPORT OF JOBSFIRSTNYC BY:

*The Fiscal Policy Institute  
The Community Service Society of New York*

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# INTRODUCTION

In New York City, despite over a decade of public policies intended to support out-of-school and out-of-work young adults, among them the funds allocated from the Workforce Investment Act, 20 percent of New Yorkers between the ages of 18 and 24—in other words, 172,000 young people—have remained on the fringes of the labor market, unable to substantially participate in the city’s economic life. While this population’s plight has recently begun to gain national traction and focus, particularly through the Opportunity Nation movement, the reality is that the labor market opportunities for these young people have declined over time: the two recessions and weak recoveries in the past decade have held wages down, and labor demand has shifted to low-wage sectors, where older and more skilled workers now actively compete. While we as a field recognize that the needs of these young people are great, the precise nature of their circumstances has, to date, not been fully understood.

Inspired by our organizational mission to leverage *all available resources* to advance the economic prospects of New York City’s young adults, coupled with the overwhelming persistence of the young adult unemployment crisis, JobsFirstNYC conceived of a research project that we hope will deepen the field’s understanding of the demographics of this group of young people, as well as the labor market that confronts them. We asked two leading experts in the field, James Parrott of the Fiscal Policy Institute and Lazar Treschan of Community Service Society, to join us in an effort to better understand the impacts that the economy has had on this group of young people and, through the lens of the research, consider the next steps that we should take as a field.

*Barriers to Entry: The Increasing Challenges Faced by Young Adults in the New York City Labor Market* examines the important trends within the New York City labor market as they relate to young adults’ ability to find and advance in jobs. The report also considers the key characteristics of young people, including demographics, where they live, their skills, and barriers they face to connecting to employment opportunities. This analysis simultaneously integrates aspects of the labor market’s “supply” (of young workers) and its “demand” (for their labor).

Our primary goal for this report is to surface relevant information and to inspire thoughtful discussion about how these findings can inform our collective work to support this vulnerable and vital group of young people. It is our hope that through this analysis, we as a field—practitioners, policy makers and influencers, public funders, philanthropists, employers, and others—can begin a dialogue that considers effective and scalable approaches to addressing the issue of persistent young adult unemployment in the months and years ahead, and that fosters policies and practices that can help change the fortunes of these young adults.



Lou Miceli  
*Executive Director*  
JobsFirstNYC



The **Community Service Society of New York** (CSS) is an informed, independent, and unwavering voice for positive action representing low-income New Yorkers. CSS addresses the root causes of economic disparity through research, advocacy, and innovative program models that strengthen and benefit all New Yorkers. Lazar Treschan, co-author of this report, is Director of Youth Policy at CSS, where he conducts research and advocacy to raise awareness about and develop solutions for young people who face challenges transitioning to economic independence. [www.cssny.org](http://www.cssny.org)



The **Fiscal Policy Institute** (FPI) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared. James Parrott, co-author of this report, is Deputy Director and Chief Economist at FPI. Parrott directs FPI's economic and labor market analyses and works on New York City and State budget and tax policies. [www.fiscalpolicy.org](http://www.fiscalpolicy.org)



**JobsFirstNYC** is a nonprofit intermediary organization whose mission is to leverage all available community, corporate, human, organizational, private, and public resources to bring out-of-school and out-of-work young adults into the economic life of New York City. One of JobsFirstNYC's strategic goals is to decrease the number of young New Yorkers aged 18–24 who are out of school and out of work by 5% by 2017. JobsFirstNYC was created in 2006 with an initial investment from the New York City Workforce Funders. [www.jobsfirstnyc.org](http://www.jobsfirstnyc.org)

# EXECUTIVE SUMMARY

The 18–24 age span constitutes a formative period for young people as they finish their education, take their first important steps in the labor market, and begin to assume the full responsibilities of adulthood and citizenship. The labor market facing young adults in New York City has undergone substantial change and evolution over the past decade. New York City is still home to high numbers of youth who are out of school and out of work (OSOW). But while this issue has been recognized as a problem in the past, current trends speak to a deeper level of challenges facing young people, particularly those from poor communities, in successfully connecting to the labor market and getting on a path to economic sustainability.

## *The Purpose of This Report*

JobsFirstNYC commissioned and contributed to this study of how young adults, aged 18 to 24, are faring in the New York City labor market. The purpose of this report is to provide context for the work of JobsFirstNYC as it seeks to support the field of youth workforce development. We hope that this work provides a level of research beyond what has already been conducted, to inform JobsFirstNYC and the range of organizations with whom it collaborates.

This report provides an analysis of current levels and recent trends in the demand for young adult labor, as characterized by the employment and wage patterns of the jobs available to young people, as well the key characteristics of the supply of young adult labor, as represented by the demographics of 18- to 24-year-olds. Our work places additional focus on the population of 18- to 24-year-olds who are OSOW. The authors also attempt to provide insight into how to best understand levels and trends related to young adult employment, through a discussion of key labor market concepts and measurements.

The focus of this work is to raise questions through an in-depth analysis of labor market data. We also offer a set of

policy recommendations based on the findings of our research. We hope that this report can serve as a vehicle for discussions about how JobsFirstNYC’s partners in the public, private, and nonprofit sectors can make use of this data to advance their work. In addition, JobsFirstNYC provides a set of responses about how their work to advance youth employment program practices incorporates the findings of this research.

## *Why Should We Care about Youth Employment?*

Youth employment is a complicated subject, which often inspires contrary opinions. On the one hand, many believe that work is a good thing in and of itself, for straightforward reasons, such as income generation, and the development of skills and habits that will be useful over a lifetime. On the other hand, there are reasons why we might think about employment for young people differently than we would for adults. Young adulthood is the time when most individuals finish their education, and some youth opt not to work so as to focus on their studies. And many young people do not have the responsibility of providing income for their households (although a not insignificant number of youth do).

Regardless, the period between the ages of 18 and 24 is of fundamental importance, in part because it generally represents the time when individuals finish their education and take their first steps in the labor market. Considerable research has shown the importance of employment at an early age, a dynamic known as path dependency. Full-time work at an early age is associated with significantly higher earnings as an adult. Part-time work for young people who are in-school also has a strong positive correlation with post-school wages. Conversely, long spells of unemployment among youth have been shown to have severe negative effects on future unemployment and earnings.<sup>1</sup>

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<sup>1</sup> Andrew Sum and Joseph McLaughlin, “Out With the Young and In With the Old: U.S. Labor Markets 2000-2008, and the Case for Immediate Jobs Creation Program for Teens and Young Adults,” Boston: Center for Labor Market Studies, Northeastern University.

Yet despite its significance, employment for young adults in New York City is relatively low: less than 41 percent of young adults are working, and this figure has dropped considerably over the past decade. And while we might be less concerned about joblessness for young people who are enrolled in school, there are still approximately 172,000 young adults in New York City who are neither in school, nor working. These OSOW young people, who make up about 20 percent of all 18- to 24-year-olds, are the focus of this project. This group represents an opportunity to improve the city's economy and civic life: we can invest in them now and reap the benefits of their contributions, or pay far more later, if they are unable to get on a path to success.

## Key Findings

Our analysis of recent trends in the supply of and demand for young adult labor in New York City leads us to the following set of conclusions:

- Young adults as a whole in New York City are working less but receiving more schooling; yet OSOW rates remain high.
- More competition from older workers is making it harder for young workers to find jobs.
- Less educated young workers are finding it harder to progress out of the lowest-paying jobs.
- The recession has led to significant increases in the portion of OSOW young people who are unemployed or discouraged workers, as jobs have become even scarcer for young people.
- Certain communities show alarmingly high concentrations of OSOW youth; 18 of the city's 55 communities are home to over half of the city's OSOW young adults.
- A significant portion of the OSOW population faces major barriers to obtaining and succeeding in employment.

## *Trends in the Young Adult Workforce: Less Work, More School, Yet OSOW Rates Remain High*

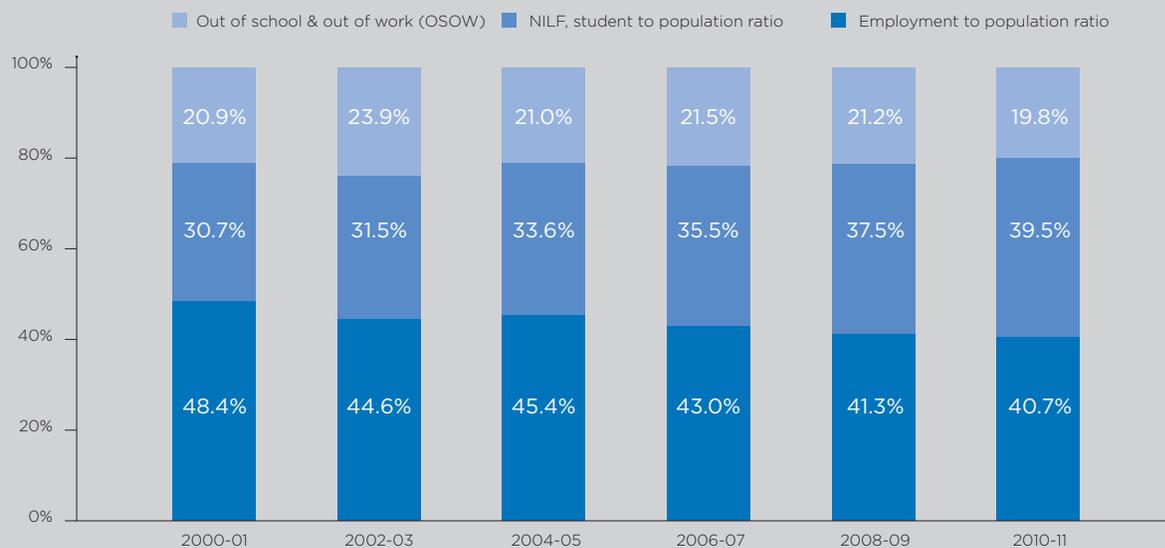
Of the approximately 870,000 young people ages 18-24 in New York City, just under half (48 percent) are in the labor force, with 41 percent of the population employed, and slightly fewer than eight percent of young adults unemployed. Over the past decade, school enrollment has soared while young adult labor force participation and the employment-to-population ratio have dropped sharply. At the same time, there has been a steady and steep increase in education attainment over the past decade among young adults. The share of city 21- to 24-year-olds with a 4-year college degree or better rose from 25 percent in 2000 to 37 percent at the end of the decade, while the share of those with less than a high school education fell from 18 percent to 12 percent. Yet, a stubbornly high percent of young adults are OSOW.

There are approximately 172,000 18- to 24-year-olds in New York City who are neither in school nor working, with many facing barriers that stand in the way of their successful connection to the labor market and promising economic livelihoods. This represents about 20 percent of New York City's young adult population, and while that share is down slightly from a decade ago, it is a status that is disproportionately concentrated among young people who are less educated, of color, and geographically concentrated among poorer communities.

The OSOW population is comprised of three subgroups: the *unemployed* (39 percent), *those not working or in the labor force for family care reasons* (37 percent), and *those not in the labor force (NILF) for other reasons* (24 percent). A growing number of those NILF are discouraged workers who want to work but have given up looking because they feel their chances of finding a job are too remote. Unemployment is far more prevalent as the explanation for OSOW status. Those officially unemployed together with discouraged or marginally attached workers comprised 47 percent of the OSOW population in 2010/11. This share is up from less than 41 percent in 2000/01. Clearly, it has become much harder for young people to find work in the past decade.

In Figure 1, it is noted that the employment ratio has been falling as the student ratio has been rising; the OSOW ratio has not substantially changed.

**Figure 1: Change in Young Adult Labor Force, 2000/01 to 2010/11, NYC:  
Declining Employment-to-Population Ratio Offset by Rising School Enrollment**



Source: FPI analysis of CPS data for NYC, data for 2010-11 adjusted to 2010 Census

Figure 2 shows that the overall OSOW population has ebbed and flowed with the unemployed share rising, the percentage of young adults NILF for family care reasons rising slightly, and the percentage NILF for other reasons declining.

***Shifts in The Labor Market Affecting Young Adults: Growth in Low-Wage Sectors, More Competition From Adults***

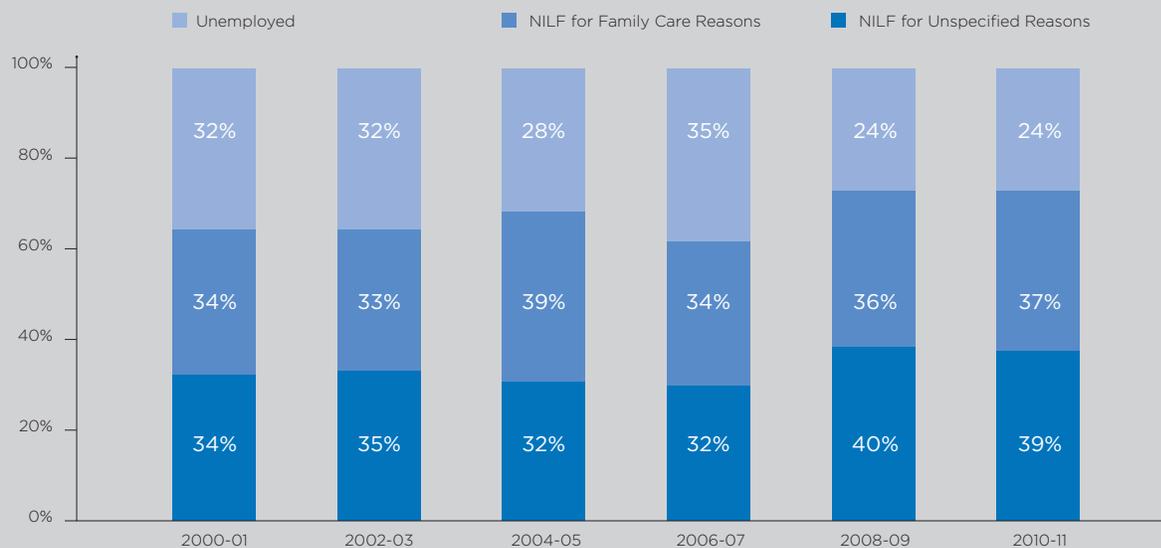
The broader New York City labor market has become more challenging for young adults, especially those with lower levels of educational attainment. The past decade has seen a continuation of a longer-term marked shift in the composition of city employment, with job growth concentrated in sectors paying lower-than-average wages while sectors employing predominantly blue collar workers have shed a substantial share of their jobs. The blue collar sector has traditionally provided middle-income paying jobs to less educated workers, both young adults and older workers.

This sectoral employment change has brought more adult workers into the part of the labor market where less educated and less experienced young workers typically find jobs. The sectors growing the most—retail, education-health-social services, and lower-paying services—are the sectors where three out of every five young adults work and where two-thirds of young adults with less education (high school or less) find employment. Yet these same sectors also have a higher proportion of all workers 25 and older than a decade ago. This job market crowding makes it harder for young adults to advance in sectors increasingly populated by older and more experienced workers.

***Less educated and younger workers finding greater difficulties advancing***

The rising education attainment of workers in most sectors means it is increasingly difficult for less educated workers to move up the pay scale. In fact, the trend in New York City over the past decade has been declining real wages for young adults,

**Figure 2: Trends of Conditions Specific to 18- to 24-Year-Old Young Adults, 2000-2011**



Source: FPI analysis of Current Population Survey, two-year pooled periods.

a trend that exists at all education levels. The sharpest real wage decline—a 16 percent drop from 2000 to 2010—occurred among those with a 4-year college degree or better.

Less educated workers who can make the transition to jobs in the blue collar sector—manufacturing, construction, and wholesale trade—will fare the best in terms of higher pay, but the number of blue collar jobs in the New York City declined by 25 percent over the past decade. The education-health-social services sector employs a high percentage of less educated workers but offers limited opportunities for such workers to earn higher wages. Less educated workers are heavily concentrated in a small number of occupations like sales clerks and cashiers and food preparation services that are particularly low paying.

In looking among jobs held by less educated older workers, we can identify some possibly promising opportunities for young adults, including the hospital industry; occupations including building service workers, health and nursing aides, drivers,

and machine operators; and among those with a high school diploma, personal service occupations, health and nursing aides, and drivers are three occupational categories that become more prevalent among older workers.

Yet college represents the most promising way forward: young adults 21-24 with a 4-year college degree or better earn \$20,000 more a year than those with only a high school education. As workers move from the 21-24 age group to the 25 and older age group, wages tend to rise faster for those with more education as noted in Figure 3.

***OSOW numbers increased during the recession due to the increased challenges of finding work***

If everything else were unchanged, a sharp increase in school engagement among the 18-24 population would push down the OSOW rate. However, even though school attendance kept rising through the years of the latest recession, the

sharp increase in young adult unemployment during the Great Recession of 2008–09 kept the city’s OSOW rate from declining. The number of city young people who were either unemployed or so discouraged about their prospects of finding employment that they stopped looking grew by nearly 50 percent from 2006/07 to 2008/09. More young people who want to work but cannot find it puts a strain on the city in a number of ways, including, but not limited to, greater costs in the form of public benefits, lower tax revenue, and decreased demand for goods and services from those with less income. The effects of low levels of education are exacerbated during a recession, when even higher qualified individuals can have trouble finding work, and often take positions that otherwise

16 percent of the 18–24 population is OSOW, but there are far greater rates of OSOW youth in the Bronx (30 percent) and Brooklyn (23 percent). Looking deeper, OSOW youth are highly concentrated in specific communities, and certain communities have staggeringly high rates of youth who are neither in school nor working. We find that just 18 of New York City’s 55 community districts are home to over half of all OSOW youth in New York City. The rates of OSOW youth in these communities are far above the citywide average.

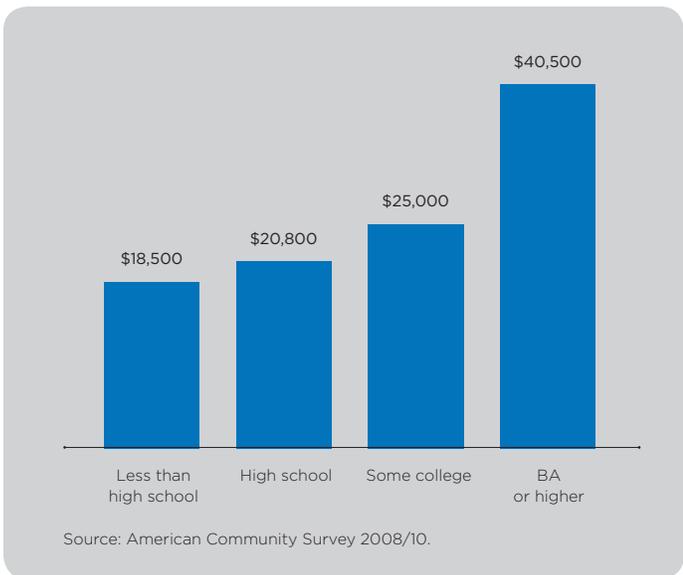
The concentration of OSOW youth in certain areas supports the idea that not working can have effects that ripple through communities and generations. The areas with the highest rates of OSOW youth are generally also areas of high poverty, high overall unemployment, and lower levels of educational attainment. That these areas are also predominately black and Latino speaks to the long term structural issues these communities have dealt with and are having difficulty in overcoming.

For young people, living in communities where bleak prospects stem from past (and present) injustices can create a disconnection from mainstream institutions such as school and the labor market. For these young people, their family, peer networks, and communities at large can negatively reinforce the idea that academic or professional success simply is not possible for them. This is why it is so important to connect these young people to the labor market now: their success will not only benefit them and their families, but will contribute toward breaking patterns of inequity that have been engrained over decades.

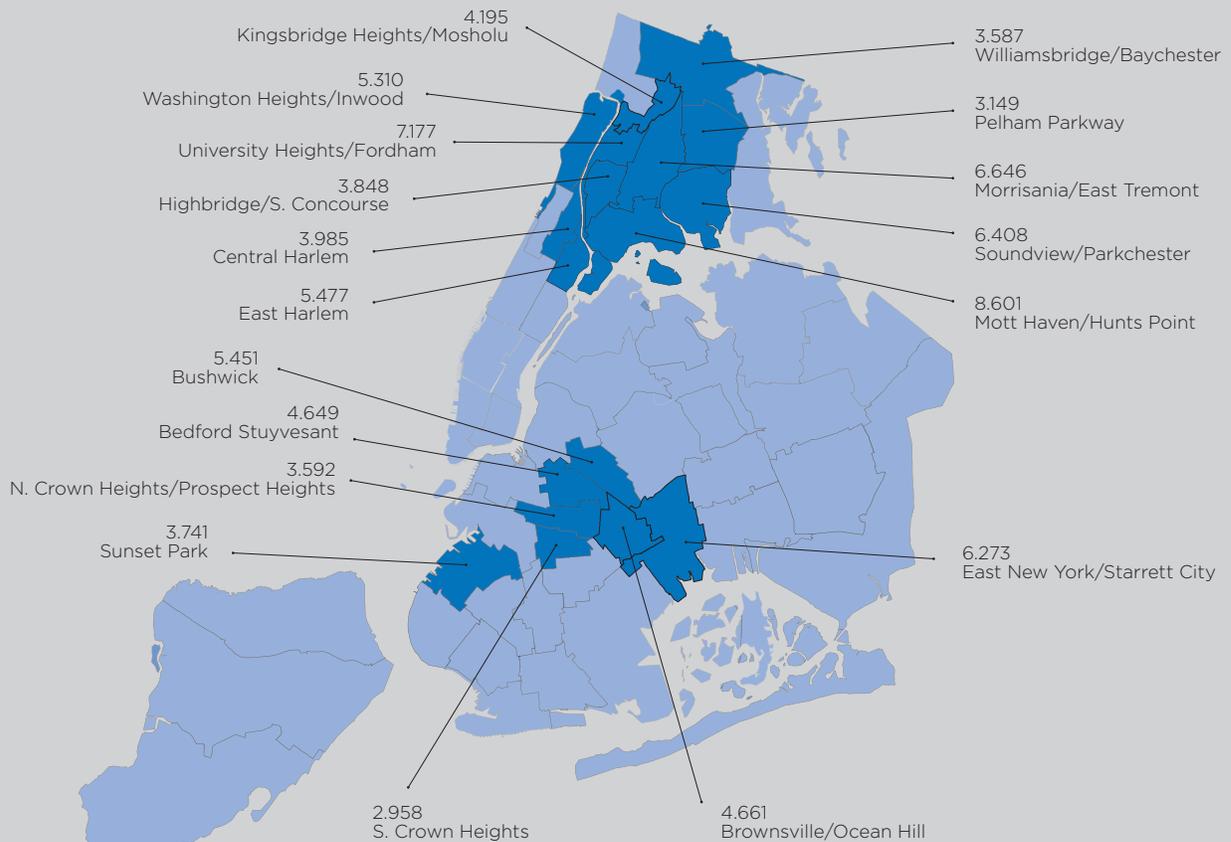
***The challenges that OSOW youth face in connecting to jobs***

OSOW youth face significant challenges to developing successful careers. Even though educational attainment has been rising steadily in New York City in recent years, OSOW youth have significantly lower levels of educational attainment compared to the general youth population. According to Current Population Survey data, 65 percent of OSOW youth have no more than a high school diploma. Twenty-eight percent of OSOW youth have less than a high school diploma, while an additional 37 percent have only a high school diploma. And there are clear racial disparities that come to light when looking at the education level of OSOW youth. Black and Latino youth make up five out of every six of OSOW youth with no more than a high school diploma. These young people—particularly those without a diploma—will have some of the greatest challenges making meaningful connections to the labor market. OSOW youth are highly concentrated in specific communities, and certain communities have staggeringly high rates of youth who are neither in school nor working. And OSOW youth are far more likely to live in households with incomes below the federal poverty line than all youth (34 percent vs. 24 percent).

**Figure 3: Median Annual Wage for Full Time NYC Workers, Age 21-24, 2008-10**



**Figure 4: Map of the City's 18 Community Districts with the Highest Rates of OSOW Young Adults, Age 18–24**



Source: 2009 and 2010 ACS

When we look deeper at the OSOW young adult population, we find differences in those who are officially categorized as “unemployed”—actively seeking work but unable to find it—and those who are NILF. NILF youth are less educated and poorer. While some of those NILF are “discouraged workers,” and may have some work experience, others have not previously held a job. The differences between those with and without work experience may lead to distinct policy approaches for addressing their needs.

As noted earlier, 37 percent of OSOW young adults are NILF for “family care” reasons. Most of these are caring for their own children, while others are caring for siblings, parents, grandparents or other family members. The share of OSOW youth not working nor looking for work due to family care reasons has stayed fairly steady over the past decade, inching a little higher in recent years.

## ***Implications for Policy***

For the city's young adult workers, the employment and wage picture has worsened considerably over the past ten years, and numbers of OSOW youth remain alarmingly high. An examination of the labor market shifts that have created these conditions leads us to offer the following considerations for policy for reconnecting OSOW youth. It is important to note that in order for any policy aimed at reconnecting young people to be successful, it must be both age and level appropriate.

***1. Increase the educational attainment of young adults.***

Ensuring that more young people have academic skills and certifications that carry value in the labor market will reduce the number of young people struggling to compete for jobs.

***2. Raise the quality of the jobs that employ young people.***

Increasing the minimum wage and extending the Earned Income Tax Credit to young workers will provide greater incentives for young people to work and will help keep them out of poverty.

***3. Expand childcare availability.*** Too many young adults (nearly 65,000) are out of the labor market due to caretaking responsibilities, which stand in the way of obtaining and succeeding in the jobs that can be a foundation for their career development. New York City should expand the availability of subsidized, quality childcare supports to young adults in poor communities.

***4. Invest in more intensive workforce development efforts aimed at communities with high concentrations of OSOW young people.*** Government and private funders should increase their investment in programs that support the employability and employment of young adults, particularly in the handful of communities with high concentrations of OSOW young people. These efforts will need to be diverse in order to assist young people at different stages of career readiness. Broadly, policy makers and funders should seek to differentiate options for those who may be job ready but lacking an opportunity to find work from programs for young people who need more comprehensive skill development before they are able to succeed in a job or internship.

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