

# Young workers hit hard by the COVID-19 economy

Workers ages 16–24 face high unemployment and  
an uncertain future

**Report** • By [Elise Gould](#) and [Melat Kassa](#) • October 14, 2020

Across the United States, millions of workers of all ages suffered job losses in the coronavirus-driven recession, but the economic impact on young workers has been even more intense. Not only have many young people in this country faced the harsh reality of returning to school without in-person classes at their colleges and high schools, the job prospects for those seeking employment have been particularly bleak. Historically, young people are disproportionately disadvantaged in many ways during economic downturns, but this recession has been particularly acute given the sectors of the economy that were hit the hardest. Furthermore, many have been all but blocked from receiving jobless benefits even with meaningful expansions to the unemployment insurance system.

This paper investigates several important questions regarding young workers, defined as workers ages 16 to 24 years old. Our main findings of the experience of these workers in the labor market are summarized below.

- **Young workers' already-high unemployment rates have jumped much higher.** The overall unemployment rate for young workers ages 16–24 jumped from 8.4% to 24.4% from spring 2019 to spring 2020, while unemployment for their counterparts ages 25 and older rose from 2.8% to 11.3%. Spring 2020 unemployment rates were even higher for young Black, Hispanic, and Asian American/Pacific Islander (AAPI) workers (29.6%, 27.5%, and 29.7%, respectively).
- **Young workers are more likely to be in jobs impacted by COVID-19.** Younger workers have had disproportionate job loss, in part, because of their concentration in the industries and occupations that were hardest hit. About a quarter of young workers are employed in leisure and hospitality, where employment declined by 41% between February and May 2020.
- **The economic effects of the COVID-19 economy on young workers may persist for years.** Absent a much more effective policy response than was undertaken following the Great Recession, today's young workers may experience serious and long-term labor market repercussions.

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- **Young workers have been excluded from certain COVID-19 assistance.** The CARES Act provided a vital safety net for many young workers, but others were left out. For example, those who were seeking but had not yet secured employment were not able to take advantage of the unemployment insurance expansions.
- **A return to a strong economy would disproportionately help young workers.** In particular, young workers would see faster wage growth than other workers.

## **Young workers have experienced worse outcomes than older workers leading up to and during the pandemic recession**

Among workers across the age distribution, young workers have had the largest job losses since February 2020. As a group, they are the most likely to be unemployed or underemployed, least likely to be able to work from home, and more likely to work in industries and occupations with the largest job losses in the COVID-19 labor market. While young workers are historically disadvantaged in weak economies, they have been even more negatively affected by the current recession.

### **Young workers (ages 16–24) historically have higher unemployment and underemployment rates compared with their peers ages 25 and older—and these rates have spiked even higher during the pandemic**

Since February 2020, the labor market has deteriorated, as evidenced by massive numbers of unemployment insurance claims and huge net job losses. Even after job gains in May, June, July, and August, the U.S. economy is still facing a jobs deficit of over 12 million jobs, given recent historical growth, and payroll employment is 7% below its February level (Gould 2020).

Although the economy was still floundering in September 2020, as millions more workers filed unemployment insurance claims and employment growth slowed, our analysis looks at trends between spring 2019 and spring 2020 to get a sense of the devastation experienced at the initial and deepest part of the recession thus far. In this section, we compare average unemployment and underemployment rates for April, May, and June combined to allow for sufficient sample sizes among demographic groups. It is also important to note that the data we use are not seasonally adjusted, which is why we compare this spring with the same months in 2019 to avoid inconsistencies based on seasonal fluctuations. Furthermore, evidence of nonresponse may bias our results for this

spring toward better reported outcomes than actually occurred, as lower-income and Black workers were less likely to respond to the survey as the pandemic took hold (Rothbaum and Bee 2020). By any measure, the data show that younger workers ages 16–24 historically have worse labor market outcomes and have experienced disproportionately more job losses in this recession than workers ages 25 and older.

## Unemployment rates are higher for young workers

**Figure A** shows the unemployment rates for these two age groups in spring 2019 and spring 2020 by gender and by race/ethnicity. The labor market improved significantly in the years leading up to 2019 as the economy continued to recover from the Great Recession. However, even in the tighter labor market of 2019, the unemployment rate for workers ages 16–24 was significantly higher than for workers ages 25 and up.

In Figure A, the pre-COVID economy is identified in dark blue and dark orange, while light blue and light orange represents the current economy. The orange bars represent workers ages 16–24, while the blue bars represent workers ages 25 and up. In the pre-COVID economy—April, May, and June 2019—the unemployment rate for workers ages 16–24 (8.4%) was three times as high as for workers ages 25 and up (2.8%). Both young men and young women experienced significantly higher unemployment rates than their older counterparts. Similarly, young white, Black, Hispanic, and Asian American/Pacific Islander (AAPI) workers experienced much higher unemployment rates than their older peers. Young Black workers experienced the highest unemployment of any racial/ethnic group, 14.5%. It is obvious that even in a tighter labor market, young workers, particularly young Black workers, are much worse off than their older counterparts.

At the height of the coronavirus recession, we see a spike in unemployment for both younger and older workers. About one-fourth of young workers were unemployed, 24.4%, compared with just over one-tenth of older workers, 11.3%. We also see spikes for both young men and young women; roughly one-fourth of each group were unemployed this spring. Although the unemployment rate for young white workers also spiked, young Black, Hispanic, and AAPI workers experienced much higher unemployment rates than their white peers: In spring 2020, nearly 30% of young Black and Asian American/Pacific Islander workers were unemployed (29.6% and 29.7%, respectively).

## Underemployment rates are higher for young workers

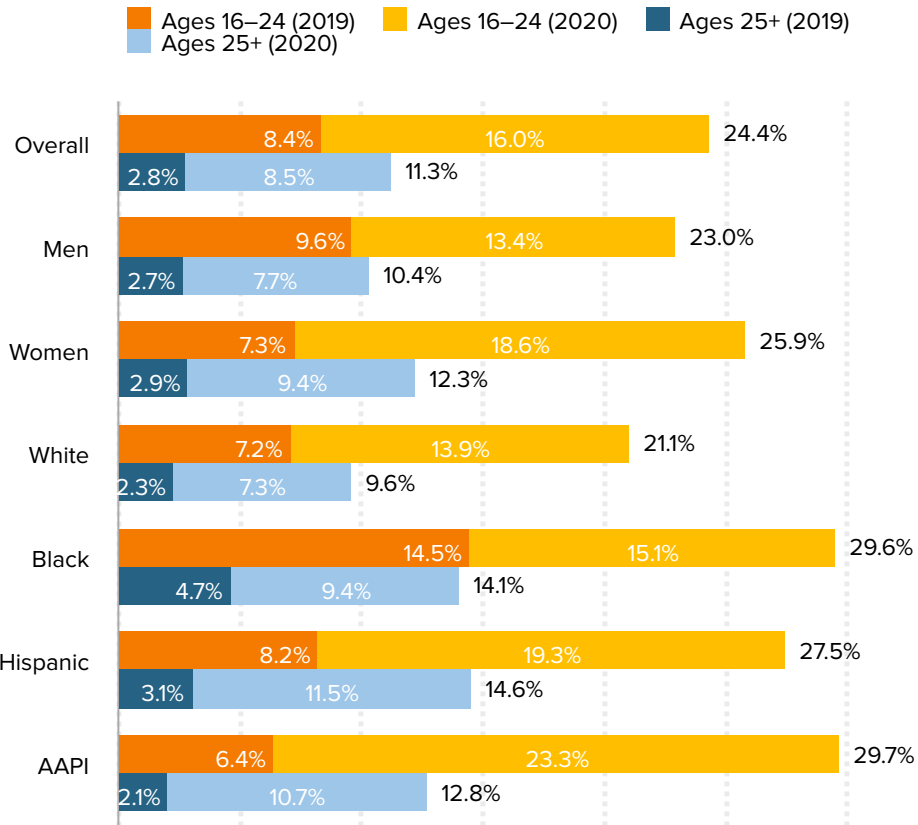
As with unemployment rates, *under*employment rates for young workers are far higher than for older workers, both in the current year and historically, as shown in **Figure B**. Underemployment is the share of the labor force that either (1) is unemployed, (2) is working part time but wants and is available to work full time (an “involuntary” part-timer), or (3) wants work and is available to work and has looked for work in the last year but has given up actively seeking work in the last four weeks (a “marginally attached” worker).

As in Figure A, the pre-COVID economy is identified in Figure B by dark blue and dark orange, while light blue and light orange represent the current economy. The orange bars represent workers ages 16–24, while the blue bars represent workers ages 25 and up. In

Figure A

## Unemployment skyrocketed for young workers in the COVID-19 labor market

Unemployment rates in the spring of 2019 and 2020, by age, gender, and race/ethnicity



**Notes:** Unemployment rates are compared using a pooled average of April, May, and June data in each year. Racial and ethnic categories are mutually exclusive. Hispanic refers to Hispanic/Latinx of any race while white, Black, and AAPI refers to non-Hispanic whites, non-Hispanic Blacks, and non-Hispanic Asian Americans/Pacific Islanders, respectively.

**Source:** Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.

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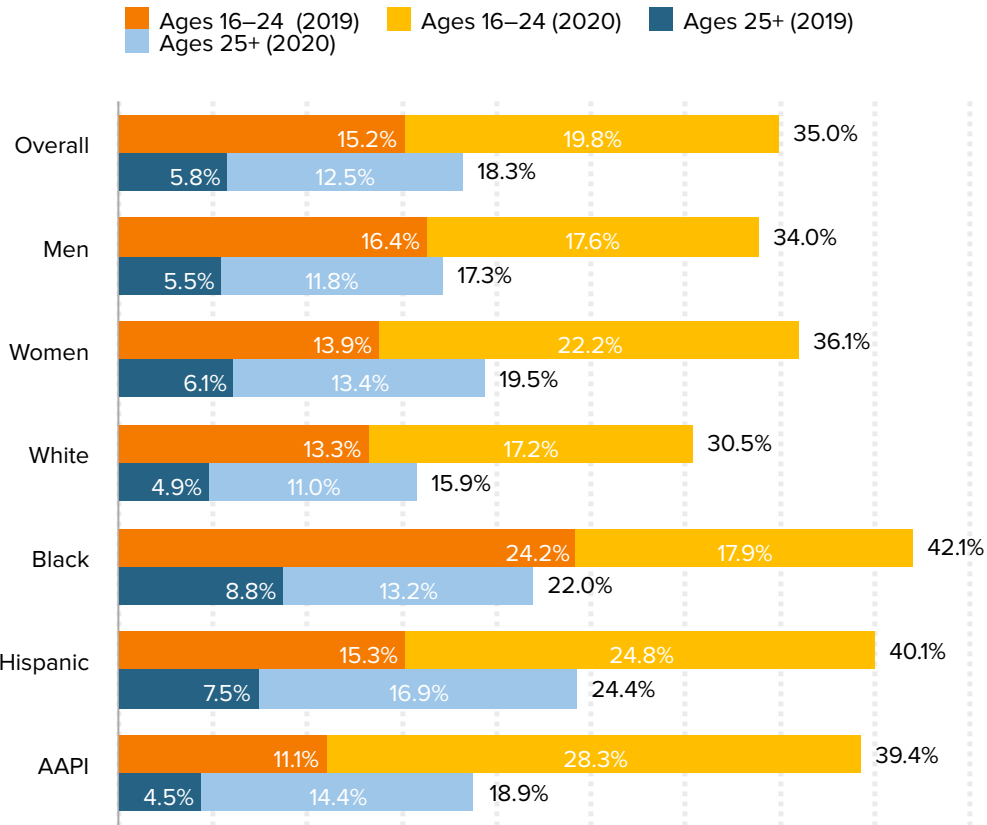
the pre-COVID economy, the underemployment rate for the younger group of workers was significantly higher than for older group. Younger workers were more than twice as likely to be underemployed as their older peers. We also see a similar pattern for young men and women workers compared with older men and women workers. Similarly, young white, Black, Hispanic, and AAPI workers experienced higher underemployment rates than their older peers. More specifically, young Black workers had the highest underemployment rate of all the groups prior to the current recession (24.2%).

In the depths of this recession, underemployment for younger workers rose more than for older workers. More than one-third of younger workers were underemployed compared

Figure B

## Over one-third of young workers in the COVID-19 labor market are underemployed

Underemployment rates in the spring of 2019 and 2020, by age, gender, and race/ethnicity



**Notes:** Underemployment is the share of the labor force that either 1) is unemployed, 2) is working part time but wants and is available to work full time (an “involuntary” part-timer), or 3) wants and is available to work and has looked for work in the last year but has given up actively seeking work in the last four weeks (“marginally attached” worker). Underemployment rates are compared using a pooled average of April, May, and June data in each year. Racial and ethnic categories are mutually exclusive. Hispanic refers to Hispanic/Latinx of any race while white, Black, and AAPI refers to non-Hispanic whites, non-Hispanic Blacks, and non-Hispanic Asian Americans/Pacific Islanders, respectively.

**Source:** Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.

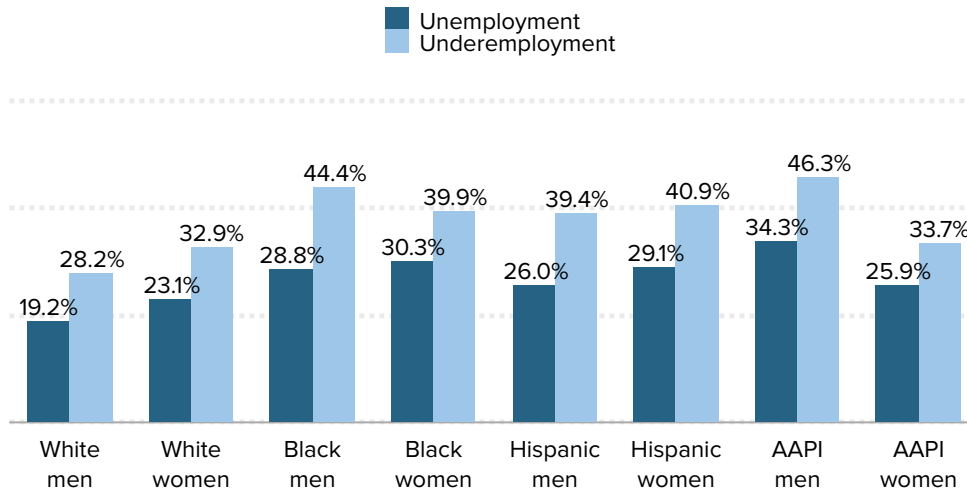
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with less than one-fifth of older workers. The underemployment rate does not vary significantly by gender: 34.0% of young men and 36.1% of young women were underemployed. Young white workers have an underemployment rate of 30.5%, which is significantly higher than the rate for older white workers, 15.9%. Young Black, Hispanic, and AAPI workers also saw big spikes in their underemployment rates. Roughly two in five young Black, Hispanic, and AAPI workers were underemployed this spring. This is bad news, particularly considering that these groups are already among the most vulnerable workers in the economy. Given historical discrimination, lower incomes, higher poverty,

Figure C

## Underemployment rates for young workers are highest for Black and AAPI men

Unemployment and underemployment rates in the spring of 2020, by gender and race/ethnicity



**Notes:** Unemployment and underemployment rates are compared using a pooled average of April, May, and June data in 2020. Racial and ethnic categories are mutually exclusive. Hispanic refers to Hispanic/Latinx of any race while white, Black, and AAPI refers to non-Hispanic whites, non-Hispanic Blacks, and non-Hispanic Asian Americans/Pacific Islanders, respectively.

**Source:** Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.

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and lower wealth, Black and Hispanic workers are often the least able to weather job losses (Gould and Wilson 2020; Gould, Perez, and Wilson 2020).

## Looking at the intersection between gender and race/ethnicity shows further differences among young workers

It is important to further break down our younger workers' demographics into categories that intersect gender with race/ethnicity because examining the data by race/ethnicity and gender separately obscures important differences among young workers. In **Figure C**, we present unemployment and underemployment rates in spring 2020 by gender intersected with race/ethnicity. The groups with the highest unemployment rates were Asian American/Pacific Islander men, Black women, and Hispanic women; roughly one-third of their respective groups were unemployed this spring. Similarly, AAPI men had the highest underemployment rate, with nearly half (46.3%) underemployed, followed by Black men (44.4%) and Hispanic women (40.9%).

## Young workers saw greater job losses because of which jobs they held

Employers may be less likely to hire young workers because of their limited labor market experience. On top of this, the COVID-19 recession is even more acute for young workers because of the industries and occupations they tend to work in and the fact that they are less likely to be able to work from home.

### Young workers are overrepresented in the hardest-hit industries

Young workers experienced greater job loss in the current recession because they worked in industries that were impacted the most by the COVID-19 shutdown. **Figure D** shows what shares of younger workers (ages 16–24) and older workers (ages 25+) worked in each industry in 2019 (pre-pandemic). Sectors are listed in order by extent of job losses between February and May 2020. (Percent job losses for each industry are shown in parentheses after the name of the industry.)

Leisure and hospitality experienced the largest job losses, with 41.0% of those jobs shutting down in those months. Young workers were heavily represented in this industry; one-quarter of young workers ages 16–24 were employed in leisure and hospitality in the pre-pandemic 2019 economy. Young workers were also concentrated in retail trade. Retail trade had the third-largest job losses in the early months of the pandemic, and 18.9% of young workers were employed in retail trade in 2019. Industries with the largest shares of workers ages 25 and older—including professional and business services, health care and social assistance, and manufacturing—also experienced job losses but, on average, these sectors shed jobs at lower rates than the sectors dominated by younger workers. Therefore, younger workers' higher job losses can be directly attributed to the fact that they were working in sectors that require high face-to-face contact and hence were most likely to see huge contractions of activity as the virus and social distancing measures progressed.

### Young worker are overrepresented in the hardest-hit occupations

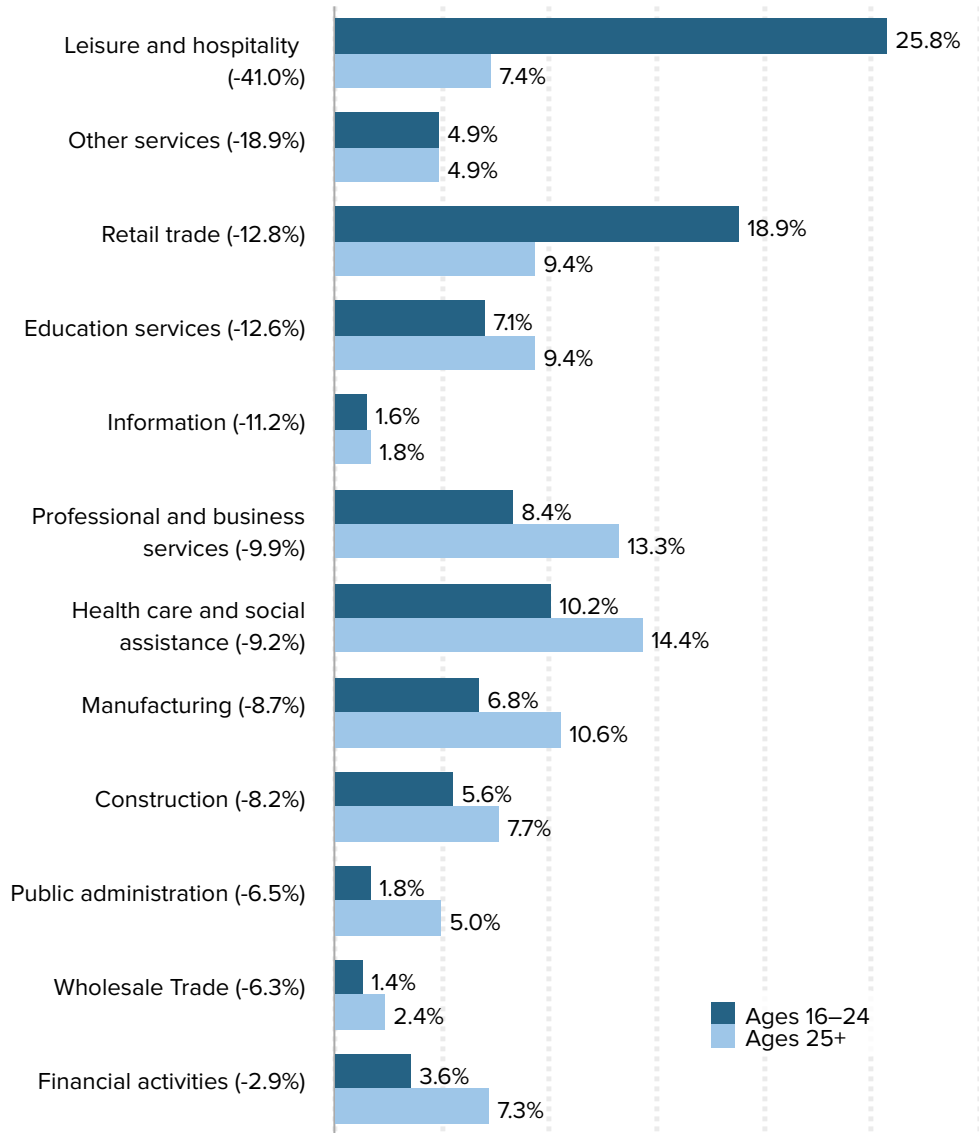
Similarly, younger workers tend to work in the occupations (not just the industries) that experienced the largest job losses in the spring of 2020. **Figure E** shows the occupation breakdown for workers ages 16–24 versus workers ages 25 and up. As in Figure D, occupations in Figure E are listed in order by extent of job losses in each occupation category (with percent job loss noted in parentheses). The bars represent the shares of younger and older workers in each occupation, respectively. Figure E tells us that service occupations experienced the largest job losses at the beginning of the pandemic, with 27.2% of service jobs lost between February and May 2020. Nearly one-third of younger workers (31.2%) worked in service occupations in 2019. Younger workers were also



Figure D

## Young workers are heavily represented in the industries most affected by COVID-19 shutdowns

Share of workers ages 16–24 and workers ages 25+ in major sectors, 2019; sectors ranked by percent change in employment between February and May 2020



**Note:** Agriculture is omitted from this list because data for this sector are not available in the payroll employment data; mining is omitted because it accounts for less than 1% of total employment.

**Source:** Authors' analysis of Bureau of Labor Statistics Current Employment Statistics and Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.

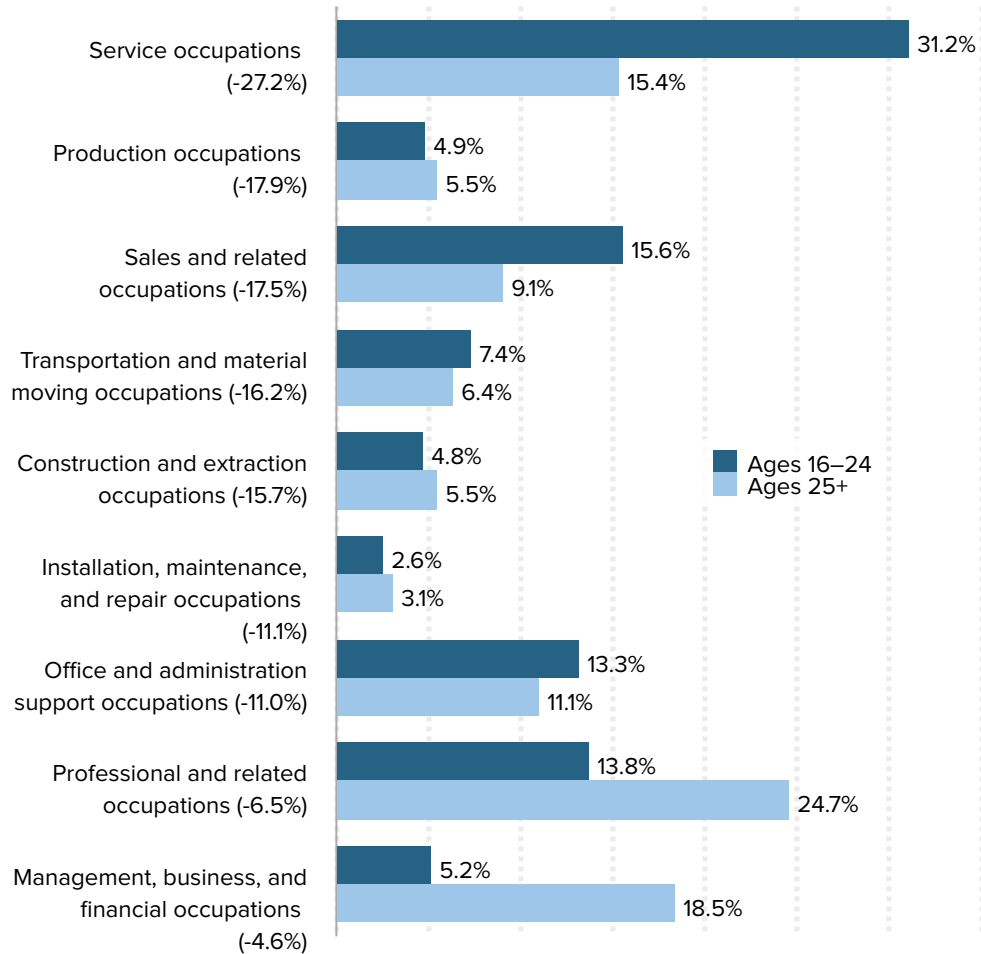
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concentrated in sales and related occupations (15.6%), which saw the third-most job losses (17.5%) due to COVID-19 shutdowns.

Figure E

## Young workers are heavily represented in the occupations most affected by COVID-19 shutdowns

Shares of workers ages 16–24 and ages 25+ in major occupations, 2019; occupations ranked by percent change in employment between February and May 2020



**Note:** The category farming, fishing, and forestry occupations is omitted because it accounts for less than 1% of total employment.

**Source:** Authors' analysis of Bureau of Labor Statistics Current Employment Statistics and Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.

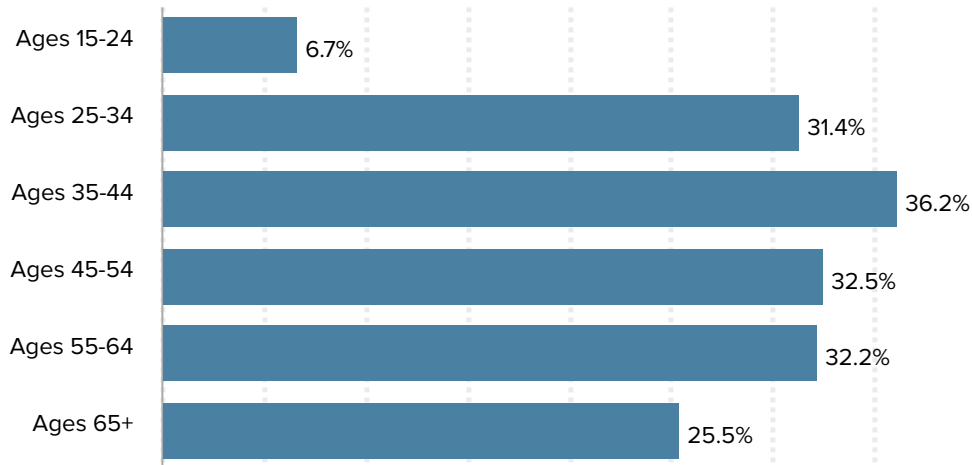
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Older workers are most likely to be found in professional and related occupations (24.7%) and management, business, and financial occupations (18.5%), occupations that experienced a far smaller drop in employment of 6.5% and 4.6%, respectively.

Figure F

## Young workers are the least likely to be able to telework

Share of workers who can telework, by age, 2017–2018



Source: U.S. Bureau of Labor Statistics, *Job Flexibilities and Work Schedules—2017–2018 Data from the American Time Use Survey*.

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## Young workers are less likely to be able to work from home

Related to the types of jobs young people have, another factor that has disproportionately led to more job losses for young workers is their relative lack of options for working from home. **Figure F** shows that young workers prior to this recession were far less likely to be able to work from home compared with older cohorts. A mere 6.7% of young workers were able to telework in the pre-pandemic period.

Their lower likelihood of having jobs they can do from home not only means that young workers are more likely to have lost their jobs during this economic downturn, it also means that most of those who *have* kept their jobs face the risk of exposure to COVID-19 at their workplace. Because of the industries and occupations they work in, younger workers have been disproportionately forced to choose between their health and their earnings. They have been putting themselves and their family members at risk to earn a paycheck. In multigenerational households, this may mean putting vulnerable populations—older adults and those with preexisting conditions—at increased risk.

# The scarring effects of entering the labor market during a recession: Lessons from the Great Recession

In this section, we examine the potential short- and long-term effects of starting one's career during the coronavirus recession. We use data from the height of the last recession as well as existing economics literature to assess the potential scarring of the current recession on young people's future employment and wages.

## Recessions have a disproportionate negative impact on young workers' labor market opportunities

While exposure to a recession can have long-lasting negative effects on the employment and earnings of workers across the board, these effects are particularly damaging for younger workers who are just entering the labor market with little to no work experience. While the unemployment rate for all workers, regardless of age, race/ethnicity, gender, or educational attainment rises during recessions, the unemployment rate for younger workers often rises faster and higher compared with older workers due, in part, to employer hiring skewing away from less experienced workers (Forsythe 2019).

As discussed above, nearly one in four young workers ages 16–24 (24.4%) were unemployed in the spring of 2020. Furthermore, the unemployment rate for this group was twice as high in July 2020 as it was in July 2019, and the July 2020 rate was the highest July rate on record since July 2010 (BLS 2020).

Unless the economy returns to pre-pandemic conditions soon, which is unlikely given current health conditions and lack of additional federal relief and stimulus, the effects on young people of starting their careers during the current recession are likely to have long-term negative implications, such as repeated unemployment spells and lower wages and lifetime earnings. (These implications are discussed in more detail below.)

## Young workers' unemployment levels were steep following the Great Recession

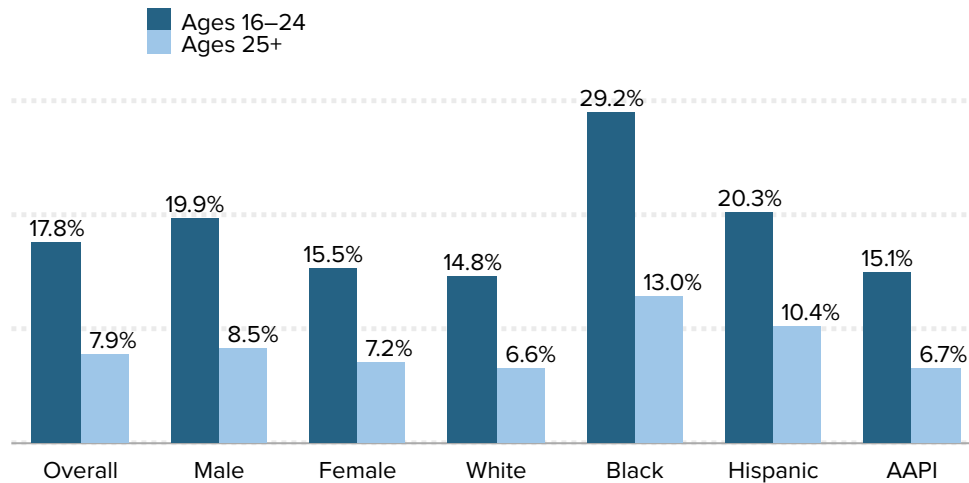
In the immediate aftermath of the Great Recession, young workers ages 16–24 experienced high and sustained unemployment rates, far higher than those experienced by older workers ages 25 and up. **Figure G** shows the unemployment rate for each age group by gender and race/ethnicity, averaged over 2009, 2010, and 2011, to illustrate just how high and extended the period of unemployment was for some groups.

During the labor market depths of the Great Recession (2009–2011), the unemployment

Figure G

## Young workers experienced high and sustained unemployment in the aftermath of the Great Recession

Unemployment rates by age, gender, and race/ethnicity, three-year averages 2009–2011



**Notes:** Unemployment rates are compared using a pooled three-year average of 2009, 2010, and 2011 data. Racial and ethnic categories are mutually exclusive. Hispanic refers to Hispanics/Latinx of any race while white, Black, and AAPI refers to non-Hispanic whites, non-Hispanic Blacks, and non-Hispanic Asian Americans/Pacific Islanders, respectively.

**Source:** Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.

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rate for young workers (ages 16–24) was more than twice as high as for older workers (ages 25+). Both young men and young women experienced significantly higher unemployment rates than their older counterparts. Similarly, across all racial/ethnic groups shown here—white, Black, Hispanic, and Asian American/Pacific Islander—young workers experienced much higher unemployment rates than their older peers. The unemployment rate for young Black workers reached as high as 33.4% in a single month (July 2010),<sup>1</sup> and their unemployment rate averaged 29.2% over the three-year period, higher than for any other racial/ethnic group and 16.2 percentage points higher than the rate for Black workers ages 25 and older.

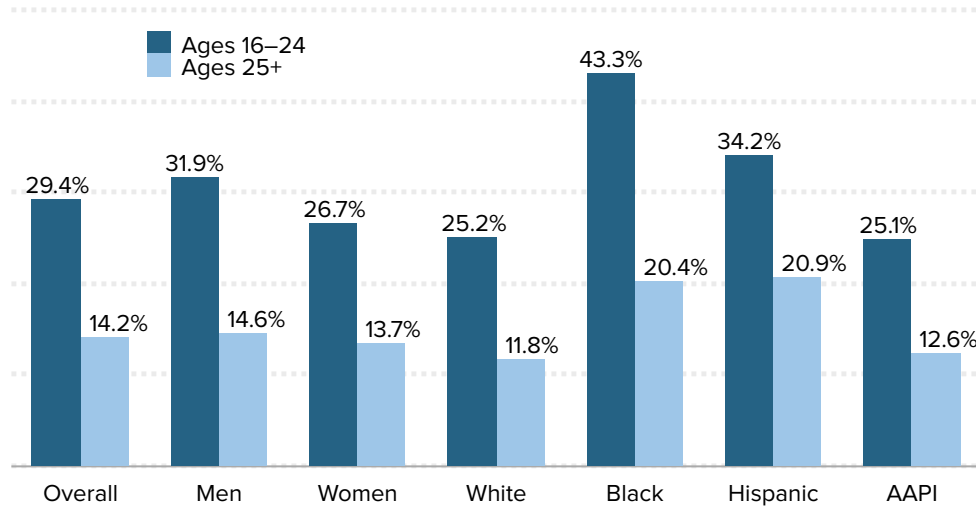
## Young workers’ underemployment levels were also steep in the wake of the Great Recession

In the immediate aftermath of the Great Recession, not only did young workers experience high levels of unemployment, but they also experienced high levels of *underemployment*, as shown in **Figure H**. During the worst three years, from 2009 to 2011, young workers, and particularly young Black and Hispanic workers, saw devastating levels of

Figure H

## High shares of young workers were underemployed in the aftermath of the Great Recession

Underemployment rates by age, gender, and race/ethnicity, three-year averages 2009–2011



**Notes:** Underemployment rates are compared using a pooled three-year average of 2009, 2010, and 2011 data. Racial and ethnic categories are mutually exclusive. Hispanic refers to Hispanic/Latinx of any race while white, Black, and AAPI refers to non-Hispanic whites, non-Hispanic Blacks, and non-Hispanic Asian Americans/Pacific Islanders, respectively.

**Source:** Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.

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underemployment: The underemployment rate for young Black workers averaged 43.3% in the depths of the Great Recession, while young Hispanic workers faced 34.2% underemployment. Over these years, overall underemployment averaged 29.4% for young workers ages 16–24, twice as high as for workers ages 25 and older (14.2%). In both age groups, Black and Hispanic workers experienced far higher underemployment rates than any other demographic.

The type of underemployment Figure H measures is hours-based underemployment (i.e., it includes part-time workers who want full-time work and those who are marginally attached to the labor force). It basically measures the underutilization of worker’s potential available time. Another measure of underemployment, introduced by Abel and Dietz (2014), is “skill/education-based” underemployment.

For instance, young workers with a college degree who are working in jobs that don’t usually require a college degree may be usefully labeled as “underemployed” in terms of their potential skills.

Even in good economic times, the share of college graduates who work in jobs that don’t require a college degree is high. For example, in 2000, when jobs were plentiful and the overall unemployment rate was 4.0%, 38.3% of employed college graduates ages 22–27

worked in jobs that didn't require a college degree (Federal Reserve Bank of New York 2020). However, that share hit 47.2% in the labor market depths of the Great Recession (referring specifically to February 2012 here).

Unsurprisingly, given the data presented above on hours-based underemployment, Black college graduates are 10 percentage points more likely to work at jobs that don't require a college degree compared with white college graduates (Williams and Wilson 2019). Thus, even as young workers generally face high rates of underutilization, Black college graduates are being underutilized even more significantly relative to their white peers.

## **Young workers who enter the labor market during a recession face long-term effects**

Research on prior recessions finds substantial evidence that workers who enter the labor market during an economic downturn are scarred for many years. These unlucky workers are more likely to experience lower earnings, greater earnings instability, and more spells of unemployment in the long term compared with similar individuals who entered the labor market in better times.

The research literature on the short- and long-term effects of recessions on young workers is extensive, covering many years and countries, but historically has focused on college graduates.<sup>2</sup> For example, Kahn (2010) examines the labor market outcomes of white male college graduates and finds that graduating from college in a recession has long-term negative impacts on their job opportunities and wages. Because of their initial bad start, they often get stuck in low-paying, low-quality jobs. Even when the economy gets stronger, it can be difficult for these workers to catch up to their pre-recession cohorts.

Rothstein (2020) finds that the negative impact of the Great Recession on the employment rates of college graduates who entered the labor market in 2010 persisted for many years rather than fading away. Compared with age- and time-adjusted employment rates of pre-recession cohorts, college graduates who entered the labor market in 2010 have employment rates that are 2 percentage points lower than otherwise predicted, as observed through 2019. Further, Rothstein posits that 2020 graduates may find that the current recession will be permanently scarring.

Schwandt and von Wachter (2018) examine outcomes across all labor market entrants (not just college graduates) by gender, race, and educational attainment. They find that “the effects [of entering the labor market in a recession] are particularly large for two groups: nonwhites and high school dropouts.”

During the Great Recession, workers in all age groups faced decreased likelihood of being employed when there was an increase in local unemployment in their area, but Rinz (2019) finds that young workers (millennials born between 1981 and 1996) experienced worse labor market outcomes than other generations. Millennials had about two times the employment rate reduction of older cohorts just after the recession. Millennials also experienced larger earnings losses than in 2010 and 2011. While millennials' employment

steadily recovered, exposure to the recession led to continued earnings losses as late as 2017. Over the entire period from 2007 to 2017, they experienced earnings losses of about 13% on average compared with 9.1% for Gen-Xers and 7.1% for baby boomers.<sup>3</sup>

The bottom line is that younger workers are disproportionately harmed by entering the labor market during an economic downturn. When compared with their older counterparts, young workers experience higher and more sustained unemployment and underemployment rates during recessions—and for years after. Exposure to a recession when they are starting out negatively affects their lifelong earnings and employment. These effects are magnified for young Black and Hispanic workers, who have higher unemployment and underemployment rates relative to their white peers.

The coronavirus-driven weak labor market is likely to continue for many more months—if not years. Unless policymakers take unprecedented action to help young workers, these workers will face negative consequences for an untold number of years to come.

## Young workers disproportionately benefit from an economy that is at full employment

While the impact of a deep recession is devastating for young workers in the short and long term, the benefit of very tight labor markets for young workers is enormous. High-pressure labor markets are characterized by periods of very low unemployment, sometimes referred to as “full employment,” during which unemployment can’t get pushed any lower without leading to accelerating inflation (Bivens 2018). Full employment is essential for the benefits of a stronger economy to reach all corners of the labor market, particularly historically disadvantaged groups.

Research has shown that tight labor markets are particularly beneficial in terms of achieving lower unemployment, higher employment, and faster wage growth for lower-wage workers as well as for Black workers. For instance, Katz and Krueger (1999) document how critical the late 1990s tight labor market was for stronger labor market outcomes across the board. Wilson (2015) illustrates how African Americans experience stronger growth in both incomes and work hours when labor markets are tight. Bivens and Zipperer (2018) find that tighter labor markets can narrow racial employment gaps and that more equitable wage growth is linked to extended low unemployment, with low- and moderate-wage workers reaping more of the benefits as unemployment rates fall. While young workers are often understood to benefit in stronger economies, this section extends previous research by expanding our understanding of the importance of tight labor markets for young workers ages 16–24 as compared with the benefits to workers ages 25 and older.

In previous sections, we’ve seen, through two snapshots in time (2019–2020 and 2009–2011) that younger workers ages 16–24 are more sensitive to swings in the business



cycle than workers ages 25 and up. In this section of the report, we examine the longer-term trends of this comparative labor market sensitivity to better illuminate why, if we are going to improve prospects for young workers, we must strive toward a full-employment economy.

## Young workers' unemployment rates are highly sensitive to labor market conditions

Over the last 30 years, the unemployment rate for young workers ages 16–24 averaged just over two-and-a-half times higher (2.6 times) than that for workers ages 25 and up.<sup>4</sup> For every 1-percentage-point change (up or down) in the age-25+ unemployment rate, the unemployment rate for workers ages 16–24 changed by about 2.6 percentage points in the same direction. This means that when the unemployment rate rises, far greater shares of young workers are subject to job loss than older workers. We've shown how devastating this can be for younger workers in the near and long term. On the flip side, this labor market sensitivity also means that when the unemployment rate drops, young workers get a far larger boost in employment than older workers. So, as an economy approaches full employment, young workers benefit disproportionately.

## Young workers' wages are highly sensitive to changes in the unemployment rate

Further, young workers' wages are also far more sensitive to changes in the unemployment rate than older workers' wages. Using the methodology of Bivens and Zipperer (2018), we use state-level data from 1979 to 2019 to examine the relationship between labor market tightness and hourly wage changes for young workers ages 16–24 compared with older workers ages 25 and up. **Figure I** displays the changes in annual growth of hourly wages for each group given a percentage-point change in the unemployment rate.

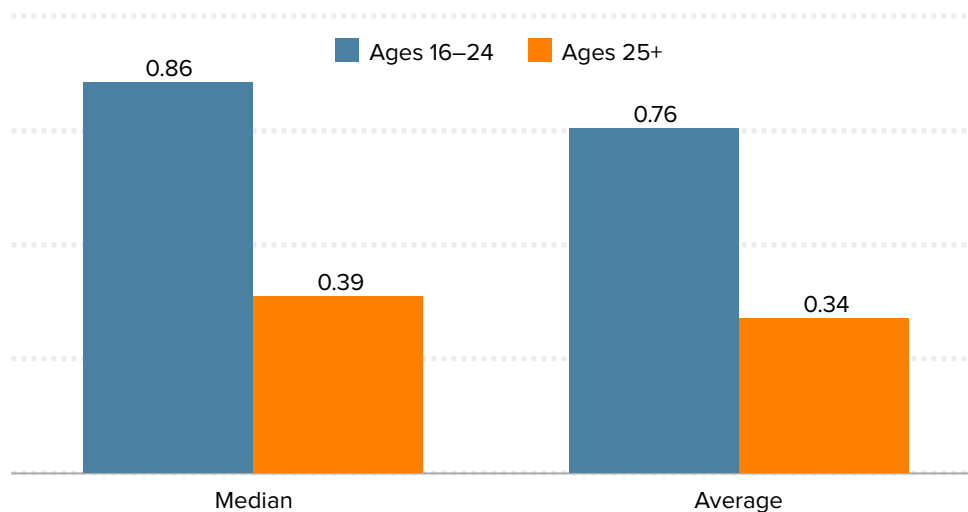
Hourly wage changes are measured at both the average and median levels of each respective wage distribution. Each value in the figure is obtained from a separate regression of the annual percent change in the average or median hourly wage on the level of the overall state-specific unemployment rate. The chart shows, for example, that a 1-percentage-point increase in the overall state-specific unemployment rate is associated with a 0.86-percentage-point decline in the annual rate of growth of the median real wage for young workers. Conversely, a 1-percentage-point drop in unemployment results in annual hourly wage growth for the typical young worker that is 0.86 percentage points faster. So, for example, if annual real wage growth was at 1.0%, then a 1-percentage-point fall in overall unemployment would result in annual real hourly wage growth rising to 1.86%.

The chart suggests that the hourly wages of young workers ages 16–24, measured either at the median or at the average, are more responsive to changes in the overall

Figure I

## Young workers' wages grow more quickly in response to falling unemployment than older workers' wages

Change in median and average annual real wage growth in response to a 1-percentage-point decrease in the unemployment rate, by age group, 1980–2019



**Notes:** Each bar is the coefficient from the regression of the real annual percent change in a given percentile's wage on the measure of labor market tightness. Regressions include state and year fixed effects. See Bivens and Zipperer, *The Importance of Locking in Full Employment* (2018).

**Source:** Authors' analysis of annual, state-level aggregations of EPI Current Population Survey Extracts, Version 1.08 (2020), <https://microdata.epi.org>, 1979–2019.

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unemployment rate than the wages of older workers ages 25 and up. For a given fall in the overall unemployment rate, the wages for young workers rise more than the corresponding wage for older workers.

## Young workers' wages are highly sensitive to changes in the employment-to-population ratio

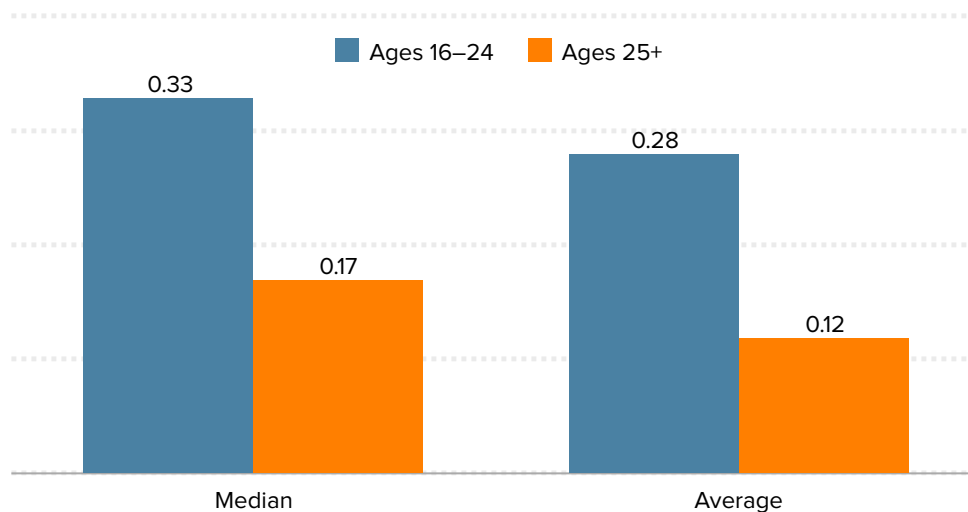
**Figure J** uses the same methodology to examine the relationship between wage changes and the employment-to-population ratio (EPOP). The results here indicate that a 1-percentage-point increase in the overall EPOP is associated with annual median hourly wage growth that is faster by 0.33 percentage points for young workers and faster by 0.17 percentage points for older workers.

Taken together, Figures I and J suggest that young workers' wages are far more responsive to labor market conditions than older workers' wages, underlining the critical importance of achieving a full-employment economy in order to boost labor market outcomes and mitigate the disadvantages faced by young workers just starting out. When we achieve a full-employment economy, it will not only help young workers, but will boost

Figure J

## Young workers' wages grow more quickly in response to rising employment than older workers' wages

Change in median and average annual real wage growth in response to a 1-percentage-point increase in the employment-to-population ratio, by age group, 1980–2019



**Notes:** Each bar is the coefficient from the regression of the real annual percent change in a given percentile's wage on the measure of labor market tightness. Regressions include state and year fixed effects. See Bivens and Zipperer, *The Importance of Locking in Full Employment* (2018).

**Source:** Authors' analysis of annual, state-level aggregations of EPI Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>, 1979–2019.

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outcomes for all historically disadvantaged groups.

## Policy matters for young workers

Young workers are among the most vulnerable in this economy. They tend to have high unemployment and underemployment rates compared with older workers; they tend to work in the industries and occupations that have had the largest job losses due to the COVID-19 shutdown; and they are least likely to be able to work from home.

During recessions, young workers experience more sustained and worse labor market outcomes than their older counterparts. This coronavirus-led recession may continue for months, if not years. Given what we know about the long-lasting effects of recessions on young workers, young workers will likely suffer negative consequences for years to come.

While young workers have a tougher time in weak labor markets, they also have the potential to see enormous benefits when the overall unemployment rate is very low and remains that way for a sustained period of time. In a recent statement, Federal Reserve Chair Jerome Powell acknowledged the importance of sustained low unemployment and

noted that the full-employment economy of the late 1990s, which led to more broad-based improvements in labor market outcomes, did not lead to spiraling inflation (Powell 2020). When we get back to low unemployment, he argues, it is vital that we allow the labor market to fully develop to benefit those too often left behind.

The Federal Reserve's monetary policy tools are not the only way policymakers can improve the labor market outcomes for young workers today. Actions by lawmakers are also critical. While the provisions of the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, were vital for millions of workers and their families across the country, it unfortunately left many young workers wanting. Because many young college students are dependents of their parents for tax purposes, they were not eligible for the one-time \$1,200 stimulus checks. Their parents also did not receive the \$500 check for dependents because that age cutoff is 17. Furthermore, the CARES Act made several very important, though temporary, improvements to the unemployment insurance program, including the \$600 enhanced benefit as well as expanded eligibility. Unfortunately, many young workers who had yet to secure any employment were ineligible for these benefits. Expanding the unemployment insurance program to include a job-seekers allowance would provide important support for young workers who have yet to launch their careers (Georgetown Center on Poverty and Inequality et al. 2020).

The CARES Act also established the Paycheck Protection Program (PPP), which offered loans to small businesses to use for payroll costs, mortgage interest, rent, and utilities—loans that are forgivable on the condition that the businesses retain or rehire employees at their pre-pandemic levels of pay (SBA 2020). Given the enormous pressures faced by sectors that disproportionately employ young workers (restaurants, other leisure and hospitality, and retail, in particular), a well-functioning payroll protection program that ensured workers were paid even as business revenues cratered would have been invaluable. Unfortunately, the PPP, as well-intentioned as it might have been, largely failed, for several reasons (Bivens 2020). The most important failure was the initial appropriation being capped at a too-low level, which made the PPP a zero-sum rush to apply for many businesses, with the advantage going to those with stronger preexisting relationships with banks. While a second round of funding was approved in late April 2020 to cover unmet demand, if the program had initially been uncapped and everyone who qualified had been guaranteed to get the loans, there may have been less harm in terms of businesses having to wait longer to get an application processed.

Congress has also failed to make sufficient investments in state and local governments in their coronavirus response so far, while declining state and local revenues, compounded by increased demand on resources, are inhibiting recovery. Most relevant, perhaps, to young workers is that without substantial federal aid to state and local governments, it is a near certainty that public university tuition will rise significantly in coming years, just as it did when there was state fiscal austerity following the Great Recession. The majority of young workers who do not have (and may never obtain) a college degree face an even tougher labor market than their college-degreed counterparts, while those pursuing additional education can find rising tuition and mounting debt insurmountable.

Strengthening and enforcing labor standards would also have an outsized advantage for

young workers in the economy, particularly in weaker labor markets when their leverage is acutely diminished.

Policymakers have allowed the federal minimum wage to erode in value over the last 50 years. While increasing the minimum wage would aid workers across the age spectrum, young workers, who are the most likely to be earning very low wages, would see meaningful wage growth (Zipperer and Schmitt 2020). Policymakers can also it easier for young workers to form unions and can make it more difficult for employers to impede workers' attempt to organize. Expansive collective bargaining rights benefits workers of all ages, including setting standards in nonunion workplaces (Shierholz 2019). By enforcing and enhancing these labor standards, policymakers can improve the labor market for young workers while providing a boost to the economy as well. This is all the more important in today's faltering economy.

## Notes

1. Authors' analysis of Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.
2. Examples include Altonji, Kahn, and Speer 2016; Kahn 2010; Oreopoulos, von Wachter, and Heisz 2012; Schwandt and von Wachter 2018; Rinz 2019; and Rothstein 2020. Some of these studies are discussed in further detail below.
3. Gen-Xers are those born between 1965 and 1980. Baby boomers are those born between 1946 and 1964.
4. Authors' analysis of Economic Policy Institute Current Population Survey Extracts, Version 1.0.9 (2020), <https://microdata.epi.org>.

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