

EMPLOYMENT

Harry J. Holzer

KEY FINDINGS

- Labor force activity has declined for all prime-age workers, but the decline among young workers has been especially rapid. This means that millennials who are currently 25–34 years old are working less than Gen Xers at the same age.
- Declines are most evident among men, though women’s labor force activity is also lower. Large gaps by education remain, with the highest labor force participation among college graduates.

Much has been written in the past few years about declining labor force activity, especially among less-educated men.¹ The purpose of this article is to ask whether millennials are bearing the brunt of this decline in labor force activity. Because they entered the labor market during the Great Recession and its aftermath, we might worry that millennials are facing special difficulties with employment, and that these difficulties might persist even as they grow older. Is the millennial generation indeed on a very different employment trajectory compared with prior generations?

It is also important to ask whether millennial men are facing special difficulties in the labor market. Because women have raced past men in their college graduation rates, we might think that millennial women have been protected from some of the challenges facing millennial men. Is there any evidence of such protection?

The article concludes with an examination of the sources of these various “millennial problems.” As I’ll show, it is important to fashion a new pro-work policy for millennials and older generations in light of these findings.

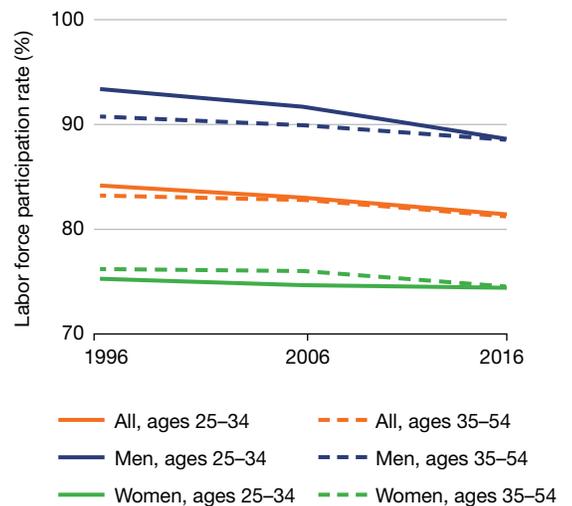
Overall labor force participation

It is useful to begin by examining trends in employment. Figure 1 presents data on labor force participation rates in the past two decades for younger workers (ages 25–34) and older workers (ages 35–54). For the purpose of these analyses, we exclude the youngest workers (i.e., under age 25), since their labor force trends will heavily reflect rising college enrollments over time. Most such

education (though not all) will be completed by age 25.²

We focus on trends between 1996 and 2006 that predate the Great Recession, as well as those between 2006 and 2016 that might indicate its long-term effects. In 1996, the younger prime-age workers represent primarily the appearance of Generation X in the labor force, and the older prime-age workers represent the Silent Generation and the baby boomers. In 2006, the younger workers represent the younger part of Generation

Figure 1. Millennials are working less than prior generations during young adulthood.



Source: Employment Projections Program, U.S. Bureau of Labor Statistics.

X, and the older workers represent the baby boomers and the older members of Generation X. In 2016, the younger workers represent millennials, while the older workers represent primarily Generation X.

As shown in Figure 1, labor force activity has declined for all prime-age workers, but the decline has been greater among younger workers (84.1–81.6 = 2.5 percentage points) than their older peers (83.2–81.4 = 1.8 percentage points). For younger workers, the decline between 1996 and 2006 was substantial (84.1–83.0 = 1.1 percentage points), but it accelerated somewhat after the Great Recession (83.0–81.6 = 1.4 percentage points). For older workers, the decline between 1996 and 2006 was trivial, but the Great Recession then brought about a decline as large as that experienced by younger workers. These results suggest lasting effects of the Great Recession (which economists call *hysteresis*).

Gender and employment

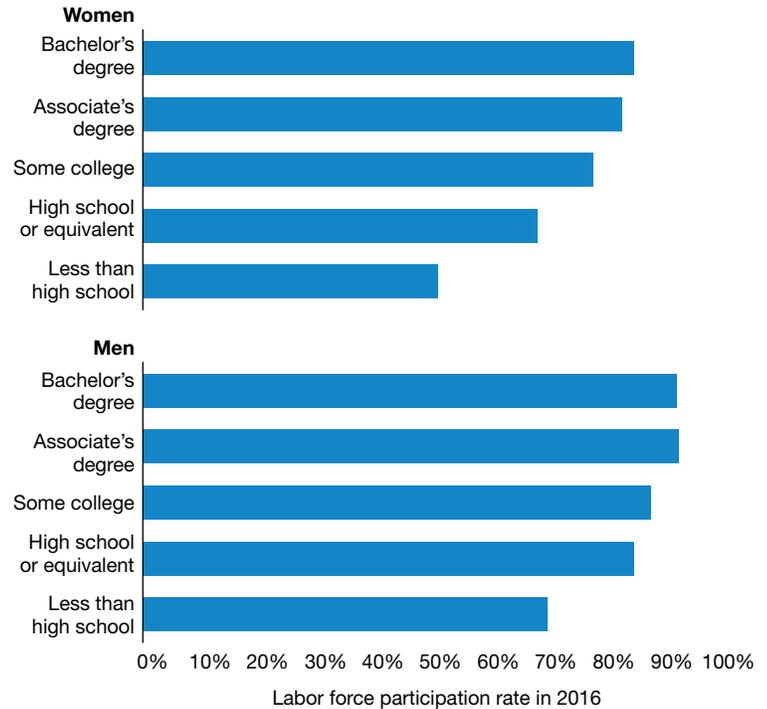
I next look at labor force participation rates disaggregated by gender. Since 1996, there have been greater declines in labor force activity among men than among women, with the greatest declines among young men. Labor force participation among millennial men is 4.4 percentage points lower than participation among the early Generation X (who represented the majority of those ages 25–34 in 1996). Although the downward trend for young men was in evidence before the millennial generation, it steepened somewhat as the millennial generation entered the labor force.

Declines among women are much smaller than declines among men. In this sense, millennial women have indeed been protected from labor market problems, although their participation rates still remain well below those of millennial men.³

Indeed, levels of labor force activity remain nearly 15 percentage points lower for women than for men. The fact that women's labor force activity slightly declined in this period stands in sharp contrast to the consistent increases experienced by women over the previous several decades, and in most other industrialized countries.⁴

Figure 2 presents rates of annual work activity among millennials by gender and education group in 2016.⁵ For both men and women, there are dramatic differences in labor force activity between those with high school diplomas or less

Figure 2. Labor market participation for millennials largely reflects their educational achievement.



Source: Annual Social and Economic Supplement to the Current Population Survey.

versus those with college degrees (either associate's or bachelor's) and above.

These differences are, however, especially steep for millennial women. As shown in Figure 2, participation rates are at about 50 percent for high school dropouts, 70 percent for high school graduates, and 83 percent for college graduates.

But very large differences in labor force activity across education groups exist among men as well. Among millennial male high school dropouts, only 70 percent are employed—a percentage that is no doubt overstated by the relative absence of men in the sample who are incarcerated or have criminal convictions.⁶ Among those with a high school degree, about 85 percent work—a relatively small percentage given the strength of the overall labor market. In contrast, over 90 percent of millennial male college graduates are working.

Causes ... and solutions

Why has labor force activity declined for men and remained low for women? Why have millennials, especially less-educated millennial men, been hard hit? Because the downward trend in employment is long-standing it is very likely that the causes behind the trend are, likewise, a continuation of long-standing causes.

The small declines experienced among young women contrast sharply with ongoing improvements in other domains. Given that these declines are concentrated among less-educated women, they likely reflect childbearing and child-rearing responsibilities for both married and single women. The fact that virtually every other industrialized country provides paid family leave, while the United States does not, appears related to our relative lack of progress on this front.⁷

The decline in market wages for less-educated workers is also no doubt part of the story. Because of market forces (like digital technologies and globalization), as well as weakening institutions (like unions), market wages for less-educated workers have declined, especially relative to the more-educated. As a result, working has become less attractive, and many less-educated individuals have chosen to “supply” less labor to the market in response.⁸

Decreases in real wages have been especially large for men, who thus decreased their labor supply quite prominently.⁹ These trends are partly due to the fact that employment in manufacturing—which traditionally has been a major source of well-compensated jobs for less-educated men—has dropped precipitously since 2000, due to both technological advances and imports from China.¹⁰

It is also relevant that income from sources other than work has, in some cases, become more available over time. Some nonworking male millennials are, of course, married to working spouses. Moreover, receipt of Social Security Disability Insurance (SSDI) and other disability programs has risen in the past few decades, as has

receipt of food stamps and Medicaid, in the non-working population.¹¹

Declining employment is also likely driven by rising barriers to work. One important barrier to work is addiction. Rising rates of opioid dependency almost certainly contribute to (and also can reflect) declining work among non-college graduates, especially in regions of the United States that have lost great numbers of manufacturing jobs. Until the reversal in the current decade, incarceration rates have also been rising, a trend that generated more criminal records among millennials and thereby reduced their employment.¹²

The final cause: a lack of jobs in some regions. Disparities in employment across regions of the country have been rising. The growth of service jobs to replace those lost in more traditional industries has been much more robust in large metropolitan areas (like Pittsburgh and Cleveland) than in smaller or rural areas.

These causes suggest solutions. The decline in work is not inevitable. We can, to the contrary, increase work among less-educated millennials by (a) “making work pay” more than it does now through paid family leave as well as increasing earned income tax credits (especially for childless adults), (b) increasing access to high-payoff sub-BA credentials among millennials currently without a bachelor’s degree, (c) reducing the impact of barriers to employment like opioid addiction and criminal records, and (d) subsidizing job creation in declining economic regions.¹³ These policy interventions would entail some significant fiscal costs, but they would reduce the yet worse social costs associated with the lack of work among so many millennials.

The upshot: If we truly care about millennial employment, we know how to get the job done.

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Notes

1. See Abraham, Katharine, and Melissa Kearney. 2018. “Explaining the Decline in the U.S. Employment-to-Population Ratio: A Review of the Evidence.” NBER Working Paper 24333. For an analysis focusing more on men, see Krueger, Alan. 2017. “Where Have All the Workers Gone?” Economic Studies, Brookings Institution.
2. Krueger shows that falling labor force activity for those below age 25 can be mostly accounted for by rising enrollments.
3. Breitwieser, Audrey, Ryan Nunn, and Jay Shambaugh. 2018. “The Recent Rebound in Prime-Age Labor Force Participation.” Hamilton Project, Brookings. Using unpublished labor force participation rates through the middle of 2018, the authors show continuing improvements in prime-age labor force participation rates. But even at this later date, participation for both groups remained well below the rates observed in 2000 or 2006–2007.
4. Sandra Black, Diane Schanzenbach and Audrey Breitwieser. 2017. “The Recent Decline in Women’s Labor Force Participation.” Hamilton Project, Brookings Institution.
5. Published rates by gender and education do not go back far enough to perform this analysis over the full 20-year period.
6. Official participation rates are calculated only for those in the “noninstitutional” population, which excludes those incarcerated at any point in time. Low-income men, especially low-income black men, are also undercounted in the census, particularly if they do not have their own official residences, which is true for many ex-offenders.
7. Black et al., 2017.
8. Any decline in work effort that occurs in response to lower compensation is captured in what economists call *labor supply* functions or curves. Though it is not always assured that the relationship between work effort and compensation is positive, most empirical evidence supports this view.
9. Labor supply among prime-age men in the U.S. used to be very “inelastic”—in other words, not responsive to wage changes, as all men worked full-time in this age group. This is clearly no longer true.
10. See Autor, David H., David Dorn, and Gordon H. Hanson. 2013. “The China Syndrome: Local Labor Market Effects of Import Competition in the United States.” *American Economic Review* 103(6), 2121–2168.
11. See Liebman, Jeffrey. 2015. “Understanding the Increase in Disability Insurance Benefit Receipt in the United States.” *Journal of Economic Perspectives* 29(2), 123–150. See also Eberstadt, Nicholas. 2016. *Men Without Work: America’s Invisible Crisis*. West Conshohocken, PA: Templeton Press. The latter indicates that large percentages of less-educated men reside in households where there is some receipt of government transfers, though other analyses claim this factor can account for only a modest fraction of declining labor force activity.
12. Krueger, 2017, shows a high rate of dependency among nonworking men on painkillers. Also see Austin, Benjamin, Edward Glaeser, and Lawrence Summers. 2018. “Saving the Heartland: Place-Based Policies in 21st Century America.” Brookings Institution. Holzer, Harry. 2007. “Collateral Costs: The Effects of Incarceration on the Employment and Earnings of Young Workers.” IZA Discussion Paper No. 3118.
13. For more discussion of these policies, see Orrell, Brent, Harry J. Holzer, and Robert Doar. 2017. “Getting Men Back to Work: Solutions from the Right and Left.” American Enterprise Institute; and Holzer, Harry. 2018. “Jobs for the Working Class: Raising Earnings Among Non-College Graduates.” Economic Studies, Brookings Institution.