Youth Labor Force Indicators in the Context of COVID-19

August 27, 2020

The Coronavirus Disease 2019 (COVID-19) pandemic led to the current recession that began in February 2020 and has resulted in large job losses, from which the economy has only partially recovered. This Insight discusses recent and longer-term trends in three key labor market indicators, and the potential implications for youth in the current economy. It examines the

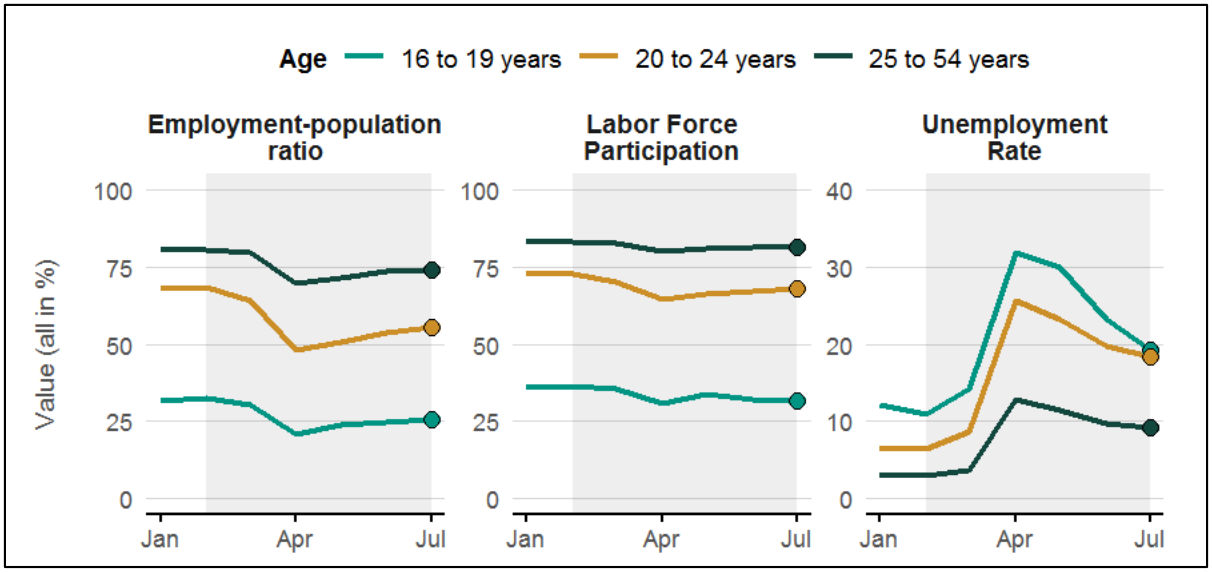
- labor force participation rate (LFPR)—the percentage of individuals in the population who are employed and who are unemployed (i.e., the share of the population *in the labor force*);
- employment-to-population ratio—the proportion of individuals *in the population* who are employed; and
- unemployment rate—the percentage of individuals *in the labor force* who are unemployed.

Recent Changes

Teens (16-19), young adults (20-24), and prime-age adults (25-54) were generally faring well in the labor market at the onset of the current recession. Labor market outcomes deteriorated in the recession's early months, but partially rebounded by summer (**Figure 1**). From January to July 2020, the LFPR waned for teens and young adults. During this period, teen and young adult unemployment rates peaked in April 2020 at 31.9% and 25.7%, respectively, before improving to about 20% in July. Prime-age workers also experienced a rapid increase in unemployment through April, followed by a decrease. Employment for teens and prime-age workers dropped 6 to 7 percentage points from January to July, compared to 13 percentage points for young adults.

Congressional Research Service
https://crsreports.congress.gov
IN11491

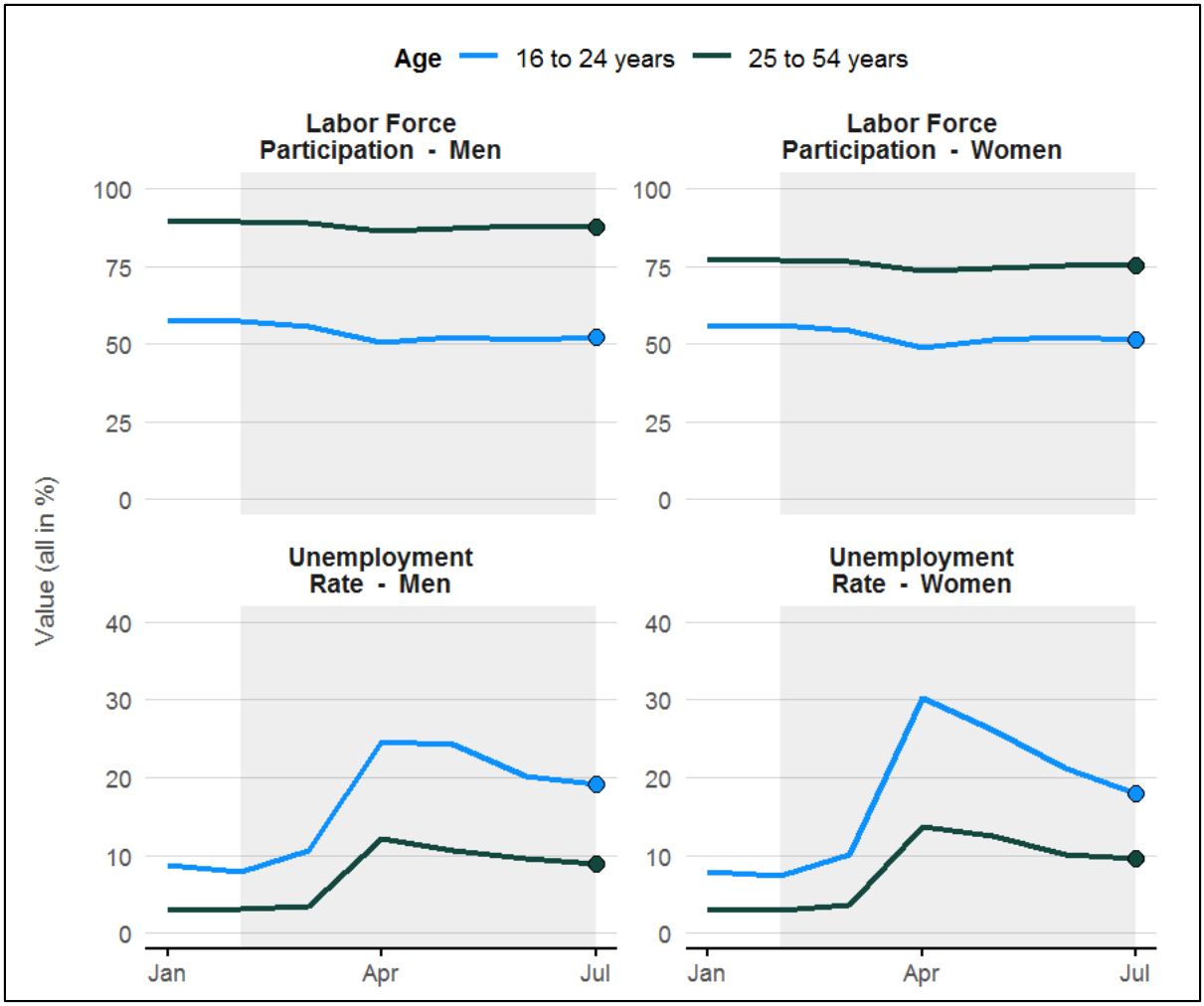
Figure 1. Labor Force Indicators by Age, January-July 2020



Source: CRS, based on seasonally adjusted Current Population Survey (CPS) data.

Figure 2 displays LFPR and unemployment rates for youth aged 16-24 and prime-age adults by sex from January to July 2020. Female and male youth participated in the labor force at about the same rates over this period and experienced similar decreases in LFPR. However, the unemployment rate for female youth peaked at a much higher rate in April (30.3%) than for male youth (24.0%). By July, the rates were about 18% for each group. These patterns of change were generally similar, but less pronounced, for prime-age workers. Although in both January and July, for prime age workers, there was a greater difference in male and female LFPR than there is for youth.

Figure 2. Labor Force Indicators by Sex, January-July 2020

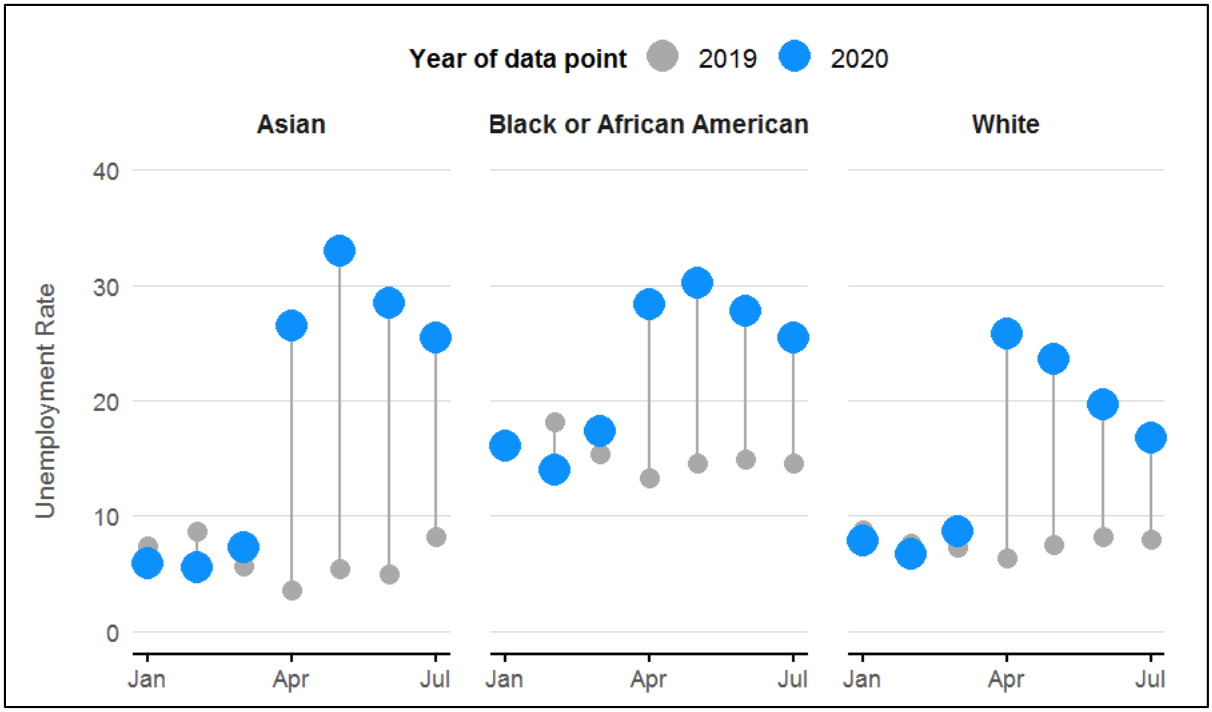


Source: CRS, based on seasonally adjusted CPS data.

Figure 3 shows unemployment rates for youth aged 16-24 by race and ethnicity, respectively, in selected months in 2019 and 2020. Asian and Black youth generally had higher unemployment rates compared to White youth. The change in unemployment rates grew for all three groups from February through May 2020 and then contracted slightly. Asian youth experienced the greatest percentage point increase in unemployment from July 2019 (8.2%) to July 2020 (25.4%).

Hispanic youth, who can be of any race, had greater increases in their unemployment rates from 2019 to 2020 than non-Hispanic youth (**Figure 4**). The rate of unemployment for Hispanic youth was 21.7% in July 2020, which was 10 percentage points higher than in July 2019.

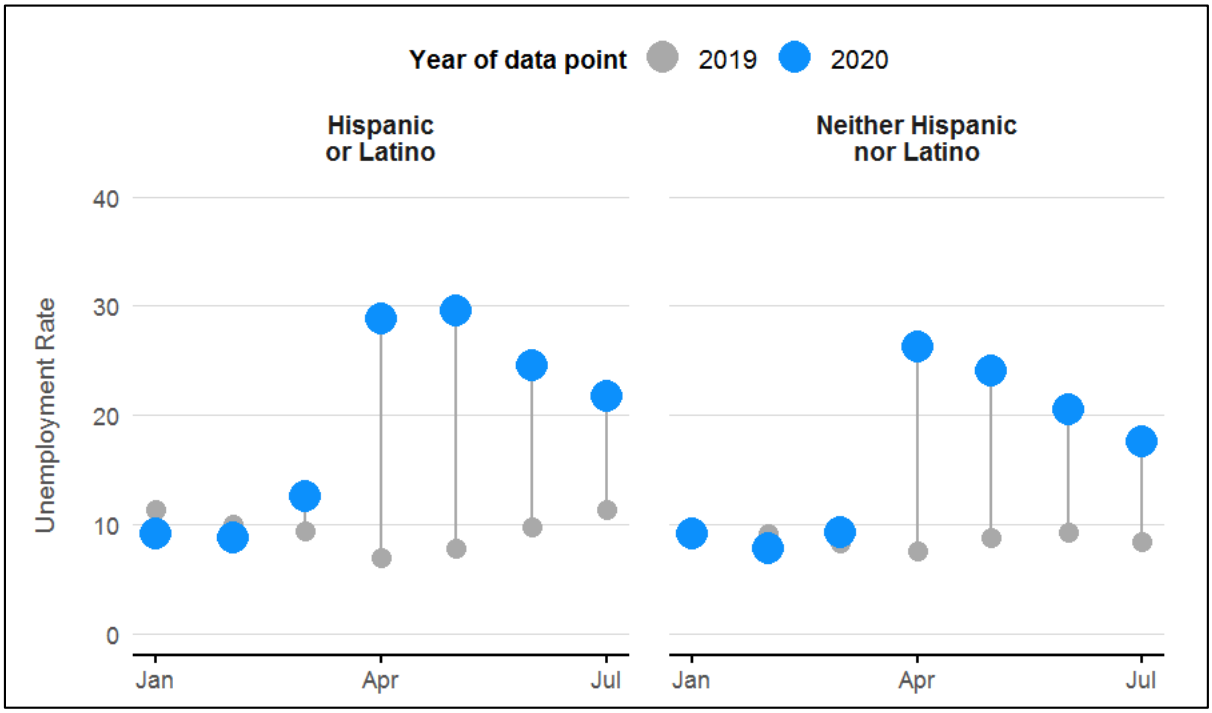
Figure 3. 2019-2020 Unemployment Rates by Race for Youth 16-24



Source: CRS, based on not-seasonally adjusted CPS data.

Note: The vertical lines represent the change in unemployment rates between 2019 and 2020 for the specified month.

Figure 4. 2019-2020 Unemployment Rates by Hispanic/Latino Ethnicity for Youth 16-24



Source: CRS, based on not-seasonally adjusted CPS data.

Note: The vertical lines represent the change in unemployment rates between 2019 and 2020 for the specified month.

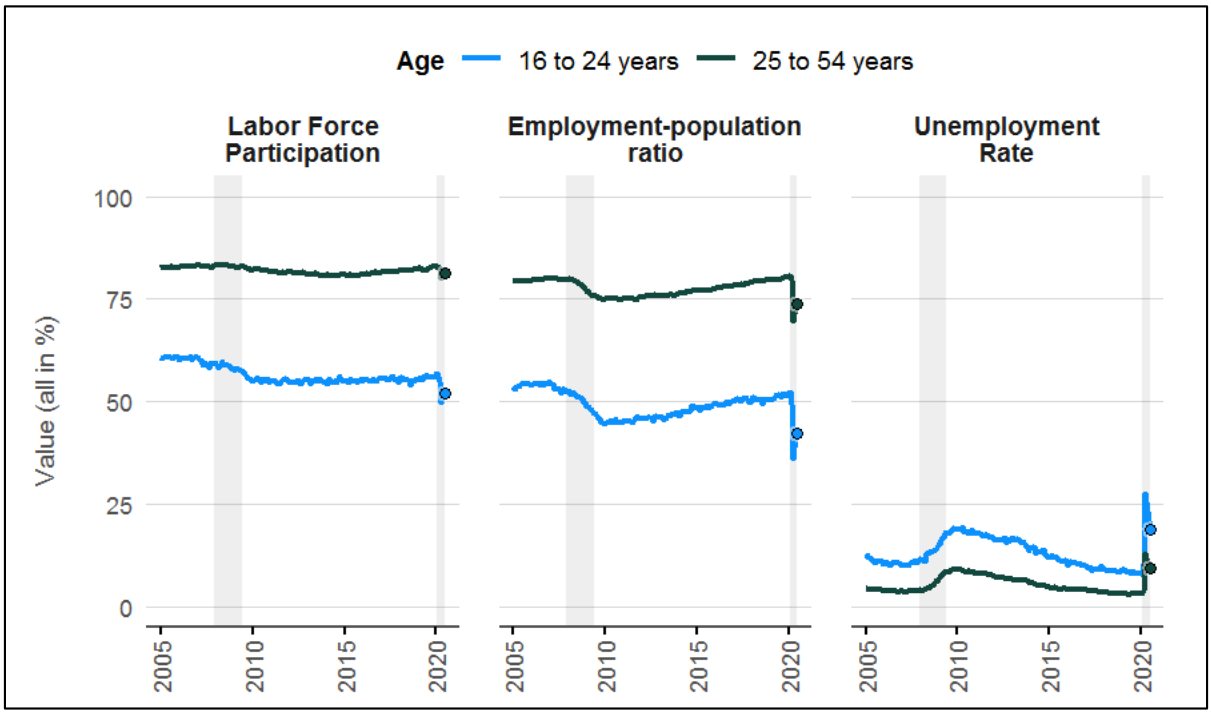
Recent Trends in Context

Figure 5 displays monthly labor force data in the period immediately preceding the Great Recession (2007-2009) through July 2020 of the current recession. It shows the drop in LFPR and employment, and rise in unemployment, in the two recessions for youth aged 16-24 and prime-age workers.

The Great Recession led to steep decreases in labor force participation and employment, with record high unemployment, for youth. Their withdrawal from the workforce appears to have been partially due to increasing school enrollment despite increased financial pressures.

The employment gains for youth during the economic expansion have been eroded in recent months. Youth unemployment was generally higher in 2020 than during and after the Great Recession. A distinguishing feature of this recession, however, may be that youth cannot necessarily rely on schooling as an alternative to work.

Figure 5. Monthly Labor Force Indicators by Age, January 2005-July 2020



Source: CRS, based on seasonally adjusted CPS data.

Policy Implications

Congress has historically been interested in youth connection to the labor force. As the pandemic continues, questions remain about the prospects for employing young people, particularly in industries experiencing the most job losses, and their ability to access supports such as job training and unemployment insurance. Further, Asian and Black youth are more likely to be out of work than their White peers. Unlike the Great Recession, when youth increased their enrollment in education, disrupted educational access may result in fewer productive alternatives to work.

The loss of employment may cause greater financial hardship in poor families, who often have relatively lower savings and assets and in which youth contribute more to the families' incomes. In 2018, youth in families below the poverty line contributed 26% of their families' income, compared to 9% for youth in families at four times the poverty line or above (**Table 1**). Given the potential decline in employment and income for low-income youth, Congress might consider policies to improve their prospects, such as adopting flexibilities and additional supports for existing employment programs.

Table 1. Contributions of Youth to Family Earned Income, by Family Resources in Relation to the Poverty Line, 2018

Income (Family Resources) Category	Youth Population (millions)	Total Percentage of Family Earned Income Accounted for by Youth
Below poverty line	6.3	26%
100-199% of poverty line	12.1	22%
200-299% of poverty line	8.9	17%
300-399% of poverty line	4.9	13%
400% of poverty line or above	5.8	9%

Source: CRS analysis of the Annual Social and Economic Supplement (ASEC) to the CPS, 2019.

Notes: Utilizes the Supplemental Poverty Measure. Family resources include federal entitlements and benefits.

Author Information

Adrienne L. Fernandes-Alcantara
Specialist in Social Policy

Jameson A. Carter
Research Assistant

Disclaimer