STATE OF YOUNG AMERICA

A JOINT PUBLICATION BY

DĒMOS | YOUNG INVINCIBLES

ABOUT DĒMOS

DĒMOS IS A NON-PARTISAN PUBLIC POLICY RESEARCH AND ADVOCACY ORGANIZATION. HEADQUARTERED IN NEW YORK CITY, DĒMOS WORKS WITH ADVOCATES AND POLICYMAKERS AROUND THE COUNTRY IN PURSUIT OF FOUR OVERARCHING GOALS: A MORE EQUITABLE ECONOMY; A VIBRANT AND INCLUSIVE DEMOCRACY; AN EMPOWERED PUBLIC SECTOR THAT WORKS FOR THE COMMON GOOD; AND RESPONSIBLE U.S. ENGAGEMENT IN AN INTERDEPENDENT WORLD. DĒMOS WAS FOUNDED IN 2000.

IN 2010, DĒMOS ENTERED INTO A PUBLISHING PARTNERSHIP WITH THE AMERICAN PROSPECT, ONE OF THE NATION'S PREMIER MAGAZINES FOCUSSING ON POLICY ANALYSIS, INVESTIGATIVE JOUNALISM AND FORWARD-LOOKING SOLUTIONS FOR THE NATION'S GREATEST CHALLENGES.

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TABLE OF CONTENTS

POLICY RECOMMENDATIONS

REBUILDING THE MIDDLE CLASS

The unraveling of the middle class didn't happen overnight, and it wasn't caused by the Great Recession. Rather, the middle class was undermined over the course of several decades by both bad policy decisions and in many cases by a complete failure of policymakers to act in the face of broad-reaching economic change. Consequently, reviving the middle class is no simple or fast endeavor. But we believe it can be done, and done most effectively by aiming to improve the trajectory of young people. Think of it this way: every major decision about life is made between the ages of 18 and 34. It is during this time when individuals are getting the education and skills to compete in the workforce, it's when they are starting families and buying homes, and it's when they need to begin the long-term act of saving for retirement. How these years unfold—and the decisions made at each marker in adulthood—will either make or break someone's chances of getting ahead. The following policy blueprint reflects Demos' long-standing agenda to rebuild the middle class. It is not meant to provide detailed legislative language but rather to provide the basic framework for improving opportunity and security—the hallmarks of middle class life. Young Invicibles will be working with young people to deliberate policy solutions for what will ultimately become a Millennial-approved policy agenda.

I. CREATE GOOD JOBS—NOW AND IN THE FUTURE

In order to rebuild the middle class, the United States faces two fundamental challenges: we need to both increase the *quantity* of jobs being created and we need to increase the *quality* of those jobs. The Great Recession has created a giant hole in the labor market, with 12.4 million jobs still needed to reach pre-recession levels of employment.[1] If we do nothing, and current economic growth rates continue, it'll be at least 2016 until we're back to normal. At the same time, the United States faces a severe crisis in job quality—too many of the jobs that do exist fall below the standard that most Americans would regard as decent work as measured by wages, benefits and overall working conditions. Young people are feeling the brunt of both of these trends—they have the highest rates of unemployment and are earning less than the previous generation in the jobs they do hold.

In order to ensure this generation and future generations can enter the middle class, America must create jobs and also increase job quality so that more jobs are good, middle-class positions – or, at minimum, offer a means to climb into the middle class. Below are five policies that would directly improve job creation and quality, in both the short- and long-term.

A TEMPORARY DIRECT PUBLIC JOBS PROGRAM to put millions of Americans back to work immediately, using public funds in the most efficient way to directly hire out-of-work Americans and build the consumer demand that fuels private-sector job creation. These jobs would be available to all unemployed workers, but young people would be given a priority for hiring. A $100 billion, two-year public jobs program would create more than 1.5 million new jobs at peak employment, compared to 568,000 jobs created by a comparable increase in spending on unemployment insurance and food stamps, or just 108,000 jobs created by Bush-style tax cuts of comparable size.[2] A direct jobs program allows the government to offer work where it is most needed and to those individuals who most need it. Finally, it allows these jobs to be made available to people immediately, when they need them, rather than requiring them to wait for the economy to recover before they can put their lives back on track.[3] The President's American Jobs Act includes a small percentage of proposed spending ($5 billion) on a "Pathway Back to Work Fund," which would provide subsidized jobs, as well as training, for young adults and low-income adults. This level of proposed spending falls short in meeting the scale of challenge facing non-college educated young people. The President's plan proposes $90 billion in infrastructure spending—a plan that would both spur job creation and at the same time lays a stronger foundation for future growth. This investment is surely needed, and will help spur short-term job creation, yet it does not fundamentally alter the long-term plan to invest in rebuilding and sustaining America's infrastructure.

A LONG-TERM PUBLIC INVESTMENT PLAN to provide a foundation for sustained economic growth in the private sector by strengthening the public structures that facilitate business and individual success. From investments in efficient roads, rail lines, seaports and airports, safe drinking water and waste systems, and reliable electrical transmission, to investment in new scientific research, 21st century energy technologies, and a financial system that successfully provides credit to small businesses—public investment lays the groundwork for private sector productivity and the private creation of solid, middle-class jobs. These investments produce critical public goods – like a transportation system that can bring millions of workers to their jobs quickly and affordably – that the private market relies on, but would not generate on its own. Yet despite a substantial, one-time infusion of public dollars through the American Recovery and Reinvestment Act, the nation's long-term investment in infrastructure is inadequate. The American Society of Civil Engineers gave the nation a grade of D on the state of its physical infrastructure in 2009.[4]Last year, a bipartisan group of transportation experts[5] estimated that the United States needs to spend an extra "$134 billion to $262 billion per year for roughly the next quarter century" to meet its transportation infrastructure needs and ensure future prosperity. Meanwhile the world's other major economic powers, including China and the European Union, are making substantial national investments in transportation infrastructure, including freight facilities, ports, and high speed rail lines that will promote economic growth in the coming decades.[6] With lagging resources, America risks losing ground to countries that have invested more wisely. From the Erie Canal to the Interstate Highway System to the American military's investments in the basic research and development that produced jet aviation, the internet, and the computer, the American government has historically played a critical role in making the investments that spurred private enterprise and productivity. As the bipartisan political leaders of the Building America's Future fund note, "the infrastructure past generations built for us – and the good policy making that built it – is a key reason America became an economic superpower. To continue that tradition, we propose investing roughly $200 billion annually in the development and maintenance of physical infrastructure, clean energy, and providing credit to small businesses. Another critical part of the nation's infrastructure – the schools, colleges and training programs that produce an educated citizenry and workforce – is considered in its own section of this report.

- **INCREASE THE FEDERAL MINIMUM WAGE** so that people working hard at low-wage jobs are able to live above poverty. The Federal minimum wage was introduced in 1938 in order to guarantee a minimally decent level of income for all those who work. However, since the 1980s the minimum wage failed to keep up with inflation. The value of the minimum wage today is 30 percent below its peak in 1968. The minimum wage was last raised in 2009, to $7.25. Before this gradual increase was approved in 2007, it had been a decade since the last minimum wage increase. A majority of minimum wage earners are adults living in low-income households and making significant contributions to their family's total income.[7] Far from disappearing, low-wage jobs are expected to make up a growing part of the U.S. economy. The Department of Labor projects that over the coming decade, the largest job growth will be in low-paying occupations, such as home health aides, food service workers, and retail salespeople.[8] Research shows that a higher minimum wage does not result in lost jobs, as many have warned.[9] For example, there is no evidence that states that increased their minimum wages above the federal level suffered job loss as a result. This research confirms earlier work by economists David Card and Alan Krueger.[10] In fact, minimum wage increases stimulate economic growth by putting money in the pockets of people most likely to spend it: a recent study by the Federal Reserve Bank of Chicago concluded that every $1.00 increase in the minimum wage results in a $2,800 boost in spending by a low-wage worker's household over the following year.[11]

- We propose phasing in an increase of the federal minimum wage to $10.00 an hour by 2013, restoring much of its lost buying power and ensuring that a family of three with a single working parent will not fall below the federal poverty line. The new minimum wage should be indexed to inflation so that workers' wages keep up with the cost of living.

- **STRENGTHEN THE RIGHTS OF WORKING PEOPLE TO ORGANIZE UNIONS AND BARGAIN COLLECTIVELY** to reverse a generation of decline in the ability for workers to negotiate the pay and benefits. Unions were instrumental in creating the American middle class, and today they continue to empower millions of Americans to bargain for wages and benefits that are capable of sustaining a middle-class standard of living. Among workers in similar jobs, unionized employees are significantly more likely to earn middle-class wages;[12] and have sick, family, and vacation leave policies, health care, and retirement plans.[13] Unions also improve wages and job quality even for those who are not members: in areas and industries with a high degree of union representation, unions can exert upward pressure on industry standards across-the-board.[14] Today, the system meant to defend the rights of employees to form unions no longer functions. Weak and slow-moving enforcement of labor rights allows employers to routinely violate the law, threatening and harassing employees who attempt to organize. Illegal threats, bribes, and even the firing of union organizers are commonplace.[15] Employees who dare to stand up for their right to join a union can face years of unemployment when they are illegally fired, while employers face virtually no penalty for denying their employees' basic legal rights. By strengthening penalties and replacing the easily abused mechanism of National Labor Relations Board (NLRB) elections with a streamlined employee sign-up procedure, this policy, based on the Employee Free Choice Act considered by Congress in 2007, would restore Americans' ability to choose union representation. In every workplace where a majority of employees want union representation, they could join easily, and begin to negotiate the pay and benefits that would enable them to enter the middle class.

2. IMPROVE ACCESS TO COLLEGE AND TRAINING

Education has long been recognized as a primary means of improving one's economic prospects and moving into the middle class. Education is also critical to the expansion of the middle class as a whole. Researchers have attributed the prosperity that built the middle class in the last century to the rapid rise in educational attainment among American youth during the first half of the twentieth century.[16] Similarly, they argue that the slowdown in American educational attainment is a major reason why the middle class has enjoyed fewer of the benefits of economic growth over the past forty years. In one generation, the percentage of Americans with college degrees has gone from first in the world to eleventh. Financial barriers are a major reason why nearly half of all young people drop-out from college, and why millions never enroll in the first place.[17] We need to improve the ability for high school graduates to afford, and complete college, and at the same time, provide alternative options for those young people for whom going back to college is no longer an option by strengthening our nation's system of workforce development and training. Of course, better aligned workforce development would also aid older workers displaced by outsourcing or suffering long-term unemployment since the Great Recession.

- **CREATE A CONTRACT FOR COLLEGE** that provides better targeted aid and early information about available aid to families to facilitate planning and aspirations. As college tuition has more than tripled, rising faster than both inflation and family income, more students are being denied the opportunity to reap the social and economic benefits of higher education. While young people are going to college at higher rates than ever before, wide disparities in access and completion remain. The enrollment gap between low-income families and high-income families is as high as it was three decades ago. And the racial gap in who goes to college has actually widened. Many hardworking students are being priced out of pursuing and completing higher education—a fundamental component to upward mobility and opportunity in American society. And those who do enroll are leaving college with unprecedented levels of debt, often without a degree in hand. In 2010, the nation's total outstanding student loan debt outpaced its credit card debt for the first time,[18] and student indebtedness is likely to continue growing quickly in the absence of bold policy reforms.

- A Contract for College would unify the existing three strands of federal financial aid—Pell grants, loans, and work-study—into one guaranteed financial aid package for students. Grants would make up the bulk of aid for students from low- and moderate-income families. The Contract would recognize the important value of reciprocity, so part of the Contract for every student will include some amount of student loan aid and/or work-study requirement. An important component in designing this program is to ensure that families have early knowledge of the financial resources available to their children to attend college. Using information collected by the IRS on tax returns, the Department of Education could send all households with students in the 7th grade and above an annual notice of their *Contract for College* that estimates their aid package using the average cost of attendance at public 4-year and 2-year institutions. In this system, whether a teenager dreams about writing code or working with animals, they will know the amount of resources available to pursue their goals and can plan, both academically and financially, much earlier than they can under the current system.

- **STRENGTHEN THE COMMUNITY COLLEGE SYSTEM** to provide much needed resources to America's nearly 1,200 open-enrollment community colleges to better meet the many demands on these institutions. Community colleges serve many purposes—including providing a lower-cost option for achieving the first two years of a bachelor's degree, but also importantly, they are ground-zero in the effort to achieve a high-skills workforce. In the coming decades, a large proportion of new jobs are projected in fields like health care that require education and training beyond high school, but not necessarily a four-year college degree.[19] Enabling young people to train, or re-train for these largely middle-class jobs provides an important mechanism for individuals to improve their economic prospects. To meet this vital demand, we need to both strengthen community colleges' capacity to provide workforce training and improve the nation's weak system of workforce development policies. We support enacting President Obama's plan for the American Graduation Initiative to invest $12 billion in community colleges over the next decade with the aim of producing 5 million additional community college graduates. To improve workforce development, the system needs both greater funding support and system reforms to better align its programs to labor market needs. While the American Recovery and Reinvestment Act provided a $4 billion boost in funding for job training programs in 2009, the temporary increase failed to reverse the long-term shortfall in federal job training resources: in real dollars Workforce Investment Act funding has fallen almost 30 percent over the past decade, while funding for other adult education and workforce preparedness programs has also declined.[20] We propose a plan that promotes partnerships between employers and community colleges in order to tailor job training programs to the demand for industries growing in the region. Previous legislation that would have reformed workforce development strategies in this way includes the Strengthening Employment Clusters to Organize Regional Success (SECTORS) Act, which passed unanimously by the House of Representatives in 2010 but was not taken up by the Senate.

3. PROVIDE PAID LEAVE AND COMPREHENSIVE EARLY CARE AND EDUCATION

Providing the next generation with a good start in life begins with the ability of parents to spend time with their newborns and provide them with high-quality child care through their infant and toddler years. Yet over the past decades, the number of American families in which all parents are employed has increased dramatically as more women enter the workforce. Public policy and workplace practices have not kept up with the shift. Unlike 169 other countries in the world, federal policy in the U.S. does not guarantee any form of paid leave to new parents. And today, despite nearly two-thirds of mothers with young children having jobs, our nation has yet to ensure that all families have access to high-quality child care. The issues of paid family leave and child care are of paramount concern to young people since the majority of young children are being raised by parents in their 20s and early 30s.

- **PROVIDE PAID FAMILY LEAVE FOR ALL WORKERS** by establishing an American Family Trust which is funded by premiums paid equally by employers and employees. Currently, federal law only provides 12 weeks of unpaid family leave, and only for workers at businesses with 50 or more employees. But millions of Americans cannot afford to take leave without pay.[21] And because only a small proportion of employees receive paid leave benefits directly from their employers, working Americans are still forced to risk their incomes and jobs to maintain their families.[22] The U.S. policy of offering only unpaid leave to deal with major life events stands in sharp contrast to the rest of the world. For example, 169 countries guarantee some form of paid leave to new parents – the U.S. joins Liberia, Papua New Guinea, and Swaziland on the short list of nations that leave workers alone to cope with this life-changing event and fail to mandate that employers provide paid time off when a child is born.[23] The new American Family Trust would provide a modest standard for the United States: 12 weeks of partially paid leave to enable working families to provide needed care for loved ones without losing their jobs. The American Family Trust would also have benefits for employers, especially small businesses that often have the greatest difficulty providing paid leave on their own. Enabling employees to address major life events like the arrival of a new baby or a spouse's serious illness enables companies to recruit and retain the best employees and can improve workplace morale and productivity. It will also help employers save money in reduced turnover costs. For example, California's modest six-week paid family leave program has improved retention among low-wage workers by ten percent.[24] This represents no small savings given that turnover costs can amount to 25 to 200 percent of an employee's annual compensation when recruiting, hiring, training, and other requirements are taken into account.[25] Although business lobbyists were initially the most vehement opponents of California's paid leave program, five years after its implementation nine out of ten employers reported no negative effect on business profitability or performance, with small businesses even less likely to detect any damaging impact on their bottom line.[26]

- **ENSURE HIGH-QUALITY CARE FOR ALL CHILDREN** through a range of policies designed to enable parents to find and afford high-quality child care. Substantial research indicates that birth to age 3 is a critical time in a child's development, impacting later school performance and life chances.[27] Yet low- to middle-income households struggle greatly to afford and find high-quality care.[28] Current policy and budget priorities have left these needs unmet. Early Head Start, which reaches low-income children under 3, is funded only to reach less than 3% of eligible families. Head Start, which is aimed at 3- and 4-year-olds, is funded to reach just 40% of eligible preschoolers. Child care subsidies to help low- and middle-income families are too modest to make high-quality care affordable for most of these households. And subsidized child care slots often have long waiting lists. Recently proposed cuts threaten to render these programs still more deficient. To harness the economic and social potential of the next generation, we will have to significantly expand our investment in the educational pipeline that begins with child care and preschool. We support a package of investments recommended by a collaboration of national and state organizations to improve quality, access, and affordability of child care.[29] These include the provision of resources to upgrade the quality and training of providers; expansion of tax credits for moderate- and middle-income households; and new investments to ensure all low-income families who wish to participate can enroll in Early Head Start and Head Start. The estimated cost of investing in a high-quality early care system would average an additional $88 billion per year.

1

JOBS AND THE ECONOMY

Our nation has experienced profound economic change over the last three decades. Globalization and new technologies shifted our economy from the production of goods to the production of knowledge and services. As millions of unionized factory jobs moved overseas, our nation lost a primary source of middle class jobs for people without college degrees. Less educated workers now have few options outside of non-unionized, low-wage service occupations.

The tumultuous economic environment has taken a serious toll on young Americans. Paychecks have shrunk for all but the best-educated young workers. At the same time that the wage premium increased for educated workers, our nation decreased its investment in education and training—putting a college degree out of reach of lower-income and middle class families. These two changes have made it ever more difficult for young people to either work or educate their way into the middle class.

And then the Great Recession hit, intensifying these trends, and raising another major obstacle between young people and economic opportunity. Unemployment and underemployment rates for young Americans remain dangerously high—a situation that will drag down their earnings for years to come.

This generation confronts an increasingly polarized economy—characterized by declining job quality for less educated workers and growing inequality. In 1980, a young man with a bachelor's degree earned roughly $9,100 more than a young man with a high school degree. Today, he earns $20,000 more. The trends are similar among women: in 1980, a young woman with a bachelor's degree earned roughly $9,400 more than a young woman with a high school degree. Today, she earns $19,000 more. (See Detailed Tables for all figures).

FINDINGS AT A GLANCE

FALLING BEHIND: EARNINGS FOR YOUNG WORKERS

- BIG DECLINE IN YOUNG MEN'S EARNINGS
- PAY GAP BY RACE
- EDUCATED WORKERS WAGES INCREASE
- THE GENDER PAY GAP

FALL IN UNIONIZED JOBS

YOUNG PEOPLE HIT HARD BY THE GREAT RECESSION

- HIGH UNEMPLOYMENT AND UNDEREMPLOYMENT
- UNEMPLOYMENT BY EDUCATION

Without increasing education attainment and improved job quality at the lowest rungs of the labor market this generation will continue to struggle to match their parent's living standards. As the wage premium on education demonstrates and many predict, industries requiring relatively more educated workers will grow faster than ones that do not. According to one projection, the majority of the 14 million new jobs created in the next decade will require some type of college or training, though often an associate's degree will suffice.[1] With falling wages and benefits in service-level jobs, the message is clear: right now, the only path to economic opportunity for this generation runs through the doors of higher education.

FALLING BEHIND: EARNINGS FOR YOUNG WORKERS

MALES SEE LARGE WAGE DROP

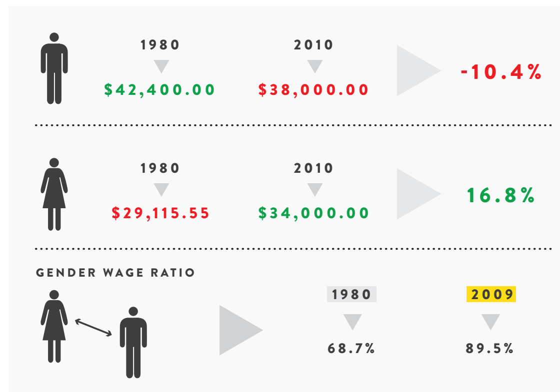
Young men and women experienced dramatically different earnings trends over the last generation.Overall, young men lost ground while women's paychecks grew steadily, as more women earned college degrees, worked longer hours, and their career opportunities increased.

- Typical earnings for young men who work full-time have declined over the course of a generation, falling 10 percent between 1980 and 2010 (Figure 1.1).

- Typical earnings for young women who work full-time have increased by 17 percent over the same period, delivering an additional $4,880 more per year in their paycheck in 2010 than in 1980 (Figure 1.1).

- The gender gap in pay narrowed substantially over the last generation. In 1980, young women who worked full-time earned only 69 percent of what young men earned. By 2010, young women earned almost 90 percent of what young men earned. Young women earn less than their male counterparts at every level of education, with the gap narrowest among young full-time workers with Bachelor's Degrees (Figures 1.1 and 1.8).

figure 1.1 | **MEDIAN ANNUAL EARNINGS, FULL-TIME WORKERS, MEN AND WOMEN, 25-34, 1980 AND 2010 (2010 DOLLARS)**



SOURCE: *Demos analysis of Current Population Survey Annual Social and Economic Supplement*

PAY GAP BY RACE

The racial pay gap is evident among young workers with the widest gap between young Latino and white workers.

- Median earnings for young full-time workers are highest among Asian Americans at $43,500, followed by whites at $40,000 (Figure 1.2).

- The racial pay gap is evident among young workers, with African Americans earning only 75 cents for every dollar earned by young whites, while Latinos earn only 68 cents for every dollar earned by young whites (Figure 1.2).

figure 1.2 | **MEDIAN ANNUAL EARNINGS, FULL-TIME WORKERS, 25-34, BY RACE/ETHNICITY, 2010 (2010 DOLLARS)**

SOURCE: *Demos analysis of Current Population Survey Annual Social and Economic Supplement*

ONLY COLLEGE-EDUCATED PULL AHEAD

Only workers with at least a bachelor's degree experiencedsubstantial increases in earnings over the last generation.

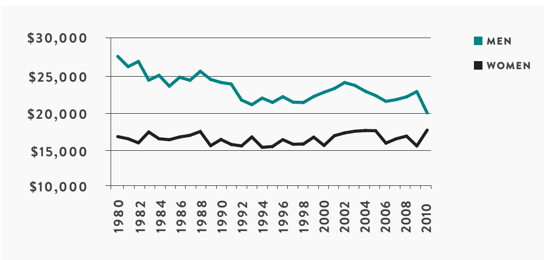
- The typical earnings for young men who didn't graduate from high school are $8,150 less (28%) in 2010 than they were in 1980 (Figure 1.3).

- Typical earnings for young women without a high school diploma have fluctuated modestly with the health of the overall economy. As a result, women without a high school diploma earn less today (down $1,550) than in 1980 (Figure 1.3).

- Young men with only a high school education are earning 25 percent less today than they did in 1980, a loss of over $10,000 (Figure 1.4).

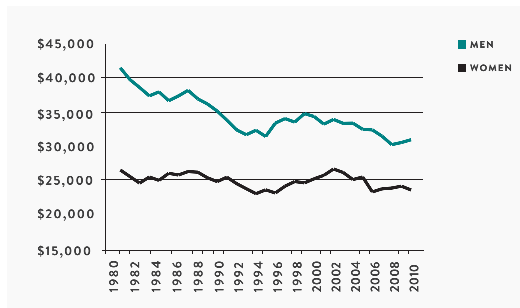
- Young women with only a high school diploma are earning $2,500 less in 2010 than they did in 1980 (Figure 1.4).

figure 1.3 | **MEDIAN ANNUAL EARNINGS, FULL-TIME WORKERS, MEN AND WOMEN, 25-34, LESS THAN A HIGH SCHOOL DIPLOMA, 1980 - 2010 (2010 DOLLARS)**



SOURCE: *Demos analysis of Current Population Survey Annual Social and Economic Supplement*

figurer 1.4 | **MEDIAN ANNUAL EARNINGS, FULL-TIME WORKERS, MEN AND WOMEN, 25-34, HIGH SCHOOL GRADUATES, 1980 - 2010 (2010 DOLLARS)**



SOURCE: *Demos analysis of Current Population Survey Annual Social and Economic Supplement*

BRANDON'S STORY

When Brandon J. finished college at Eastern Michigan University he returned to his native Detroit only to find that his background in business and technology was not enough to guarantee employment, much less a good job. Even in the relative prosperity of 2005 Brandon encountered a lesson learned by millions of other young workers: navigating the 21st century American economy can be hard for young people.

Even workers like Brandon who hold a college degree – and are overall much more likely to be employed – struggle in the labor market. Minority men, as Brandon can attest, face a particularly tough time finding work. And while Brandon came from a union family, union jobs were not there for him or his friends. With some persistence Brandon found work. In the supposedly bullish market, Brandon helped to improve the job prospects of people who were having an even harder time finding a job: those workers without a post-secondary degree. Brandon maintained a computer lab that retrained displaced workers in the latest technology for the growing health care field.

But when the housing bubble burst in late 2007 and the stock market tanked in months after, Brandon was no exception to the fallout of an economic decline. The program he helped to run lost its funding and ended his contract, and Brandon returned to the job search with one million other young adults. He, like many others, faced the prospect of long-term unemployment. Instead, Brandon recently applied the skills he learned in college to start his own business: entrepreneurship is one of the few positive by-products of the Recession for struggling young people. Now, despite facing an extremely fickle boss – the struggling Detroit economy – Brandon is hopeful about his current path.

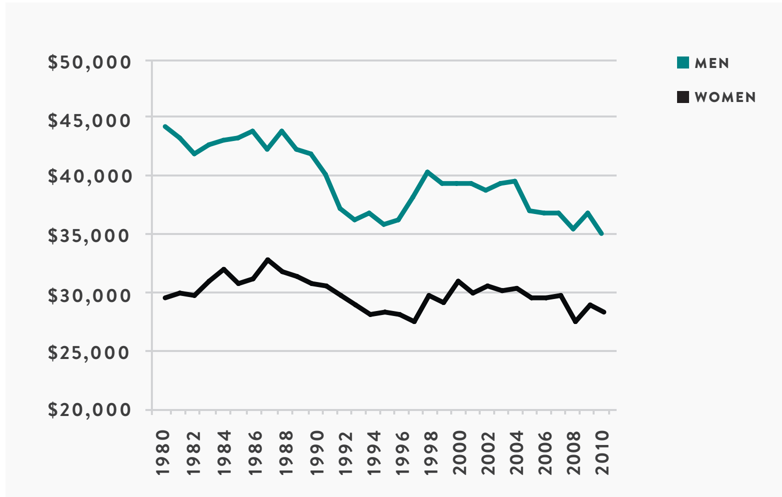
- The typical earnings for young men with some college are 21 percent below where they were in 1980. Their earnings dropped steadily between 1988 and 1991, rose in the late 1990s as the economy boomed, then dropped again in the early 00s (Figure 1.5).

- The typical earnings for young women with some college are slightly lower (4%) than they were in 1980. Their earnings fluctuated modestly throughout the decades, after climbing steadily through the early 1980s (Figure 1.5).

- The typical earnings for young men with Associate's degrees have dropped 4 percent since 1991, the first year data was collected for this category of education (Figure 1.6).

- Women with Associate's degrees remained approximately the same, declining by 1 percent since 1991 (Figure 1.6).

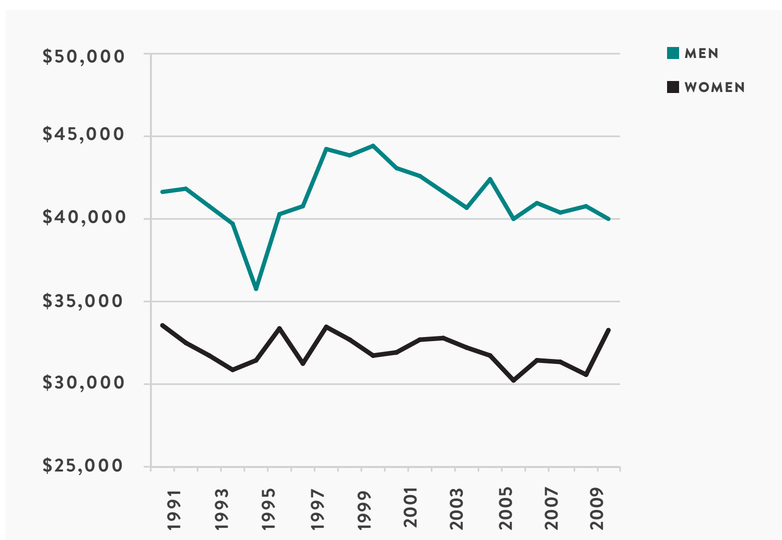
figure 1.5 | **MEDIAN ANNUAL EARNINGS, FULL-TIME WORKERS, MEN AND WOMEN, 25-34, SOME COLLEGE*, 1980 - 2010 (2010 DOLLARS)**



**data for some college includes those with Associate's Degrees before 1991*

SOURCE: *Demos analysis of Current Population Survey Annual Social and Economic Supplement*

figure 1.6 | **MEDIAN ANNUAL EARNINGS, FULL-TIME WORKERS, MEN AND WOMEN, 25-34, ASSOCIATE'S DEGREE, 1991-2010 (2010 DOLLARS)**

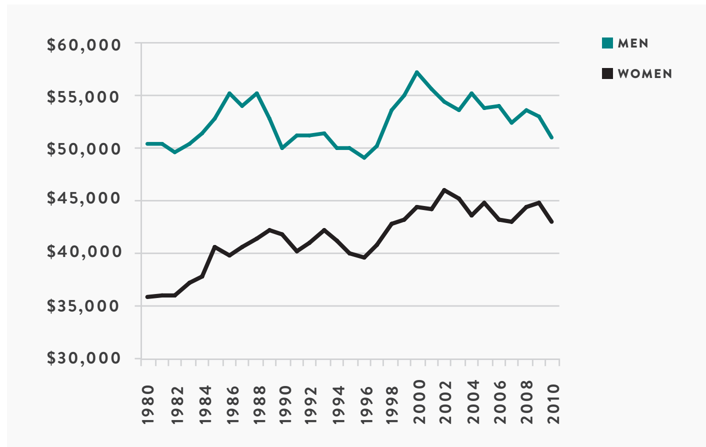


SOURCE: *Demos analysis of Current Population Survey Annual Social and Economic Supplement*

- The median earnings for young women with at least a Bachelor's degree rose 20 percent over the last 30 years, earning $7,000 more per year in 2010 than in 1980 (Figure 1.7).

- Young men with at least a bachelor's degree rose only 1 percent, an increase in earnings of less than $700 (Figure 1.7).

figure 1.7 | **MEDIAN ANNUAL EARNINGS, FULL-TIME WORKERS, MEN AND WOMEN, 25-34, BACHELOR'S DEGREE OR MORE, 1980 - 2010 (2010 DOLLARS)**



SOURCE: *Demos analysis of Current Population Survey Annual Social and Economic Supplement*

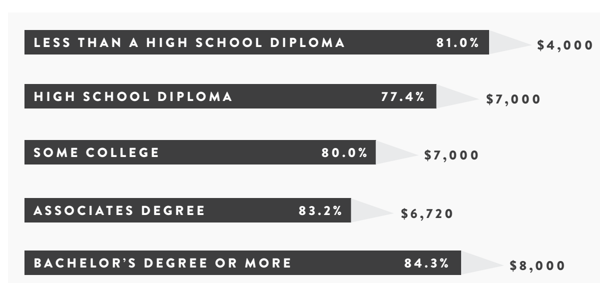
THE GENDER PAY GAP

While a pay gap still exists on all levels of education, much of the growth among college-educated women is due to more steady labor force participation and better access to well-paying occupations.

- The gender pay gap is widest among workers with a high school diploma, with women earning 77 cents for every dollar earned by men (Figure 1.8).

- The gender pay gap among college-educated young people is the lowest of any educational level—with typical earnings of 84 cents for every dollar earned by men (Figure 1.8).

figure 1.8 | **GENDER PAY GAP, 25-34 , BY LEVEL OF EDUCATION**



SOURCE: *Demos analysis of Current Population Survey Annual Social and Economic Supplement*

IN FOCUS: **EX-OFFENDERS**

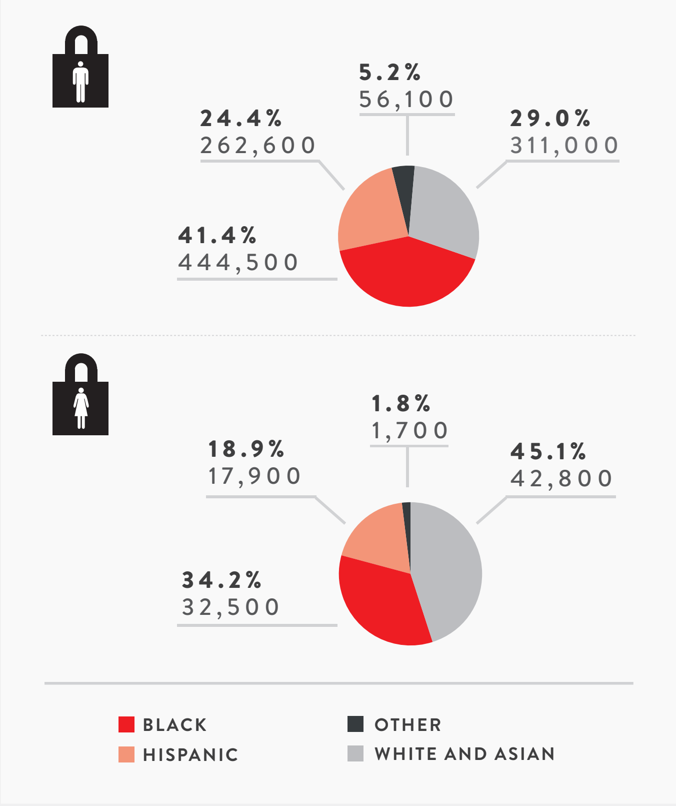
Incarceration rates for young people are staggering, particularly for young males of color. The overall incarceration rate has skyrocketed in the past three decades, increasing from 139 prisoners per 100,000 U.S. residents in 1980 to 502 prisoners per 100,000 U.S. residents in 2009, a 260% increase Radical changes in drug and sentencing laws, along with a decline in employment opportunities in central cities, have contributed to the rapid rise, particularly among young people of color, who make up a disproportionate share of prisoners. The young adults that get released after serving their time face even steeper odds of finding any financial security.

- One in nine black males aged 25-29 was in prison or jail in 2009 as were 1 in 27 Hispanic males and 1 in 60 white males in the same age group.
- Over 1 million young men (18-34) were incarcerated in 2010. Whites made up 29 percent of the young male incarcerated population, blacks, 41 percent and Latinos, 24 percent (Figure 1.B).
- After leaving prison, finding a job is often difficult. According to one study that tracked men as they were released from prison, just 46 percent of ex-offenders were employed 7 months after being released from prison. 71 percent of these men said that their criminal record had affected their job search.

As a result, an enormous cohort of young adults – predominantly male minorities – actually leaves prison each year and attempts to successfully navigate an often difficult reentry into society. They generally hold a high school degree at most, and will often have to check a box on job applications declaring their criminal conviction. That one check mark means that more than 60 percent of employers are likely to reject their application outright. According to one study, serving time reduces the likelihood of a job offer by 50 percent for white men and by two-thirds for African-Americans.

Studies also show that those who do find a job work fewer weeks each year and earn far less than if they had not been convicted of a crime. With limited job prospects offering low wages, providing for themselves, let alone their children, is a challenge at best for young ex-offenders.

figure 1.b | **NUMBER OF INCARCERATED MEN AND WOMEN, 18-34, JUNE 2009**



SOURCE: *Bureau of Justice Statistical Tables Inmates at Mid-year 2009 Table 17, Published June 2011 Includes Prisoners at State and Federal Prisons and Local Jails as of June 30, 2009*

These tough odds all existed before the Recession. Now, ex-offenders face even more hurdles in the labor market as they run up against education barriers, stigma, and disappearing jobs. And because more than half of the more than 2.2 million inmates are under 35, their low employment and earnings could plague them for their whole lives, leaving them with few options to make ends meet.

ETIENNE'S STORY

Etienne grew up in bad neighborhood outside of Palo Alto, California. Things were tough from the start. The dysfunctional schools in his area were discouraging and by age 16 he had dropped out of high school to join the family construction business. They managed to make ends meet until the stock market crashed in 2008, taking the construction industry down with it. Etienne's family lost their house along with their business. Amid severe economic stress Etienne found himself at odds with his father, who kicked him out. At age 19 Etienne was homeless with no job and only a GED that he had earned in 2005.

With the poor economy no one was hiring, and Etienne had another strike against him: like many young men from tough neighborhoods, he has a criminal record. A couple of arrests for minor offenses during his youth have forever scarred Etienne's employability. Even after acing interviews, he says, he has been repeatedly rejected from jobs for which he is qualified, all because of his background.

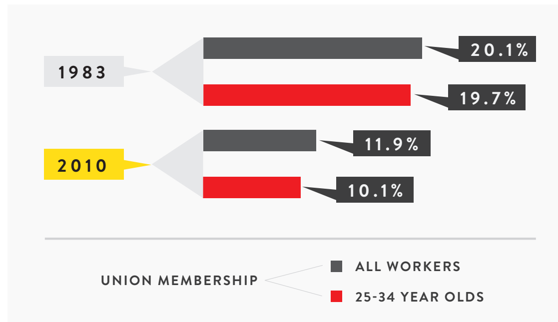
Facing these extensive employment barriers and desperate for options, Etienne knew he needed to add to his credentials and he enrolled at a local community college in nearby Los Altos Hills, California. His first attempt at higher education ended – with debt - when tuition became overwhelming, but his continued unemployment sent him back to campus once more. It's unclear how his record – and the

FALL IN UNIONIZED JOBS

Young workers are less likely to work in unionized jobs than older workers—one factor contributing to the decline in job quality among occupations not requiring an advanced degree.

- A generation ago, young workers had similar rates of belonging to a union as all workers—with roughly 20 percent in a union (Figure 1.9).
- Union membership has declined steadily every year since 1983, with younger workers experiencing a slightly bigger decline in union membership (Figure 1.9).
- As of 2010, only 12 percent of all workers belonged to a union, compared to 10 percent of young workers aged 25-34 (Figure 1.9).

figure 1.9 | **UNION MEMBERSHIP, 25-34, 1983-2010**



SOURCE: *Demos Analysis of CPS Outgoing Rotation Group. 1983-2010 data extracted from: Center for Economic and Policy Research. 2011. CPS ORG Uniform Extracts, Version 1.6 . Washington, DC.*

YOUNG PEOPLE HIT HARD BY THE GREAT RECESSION

HIGH UNEMPLOYMENT

Even during a boom economy, younger workers have higher levels of unemployment than those 35 and older. But the gap has widened as a result of the Great Recession. Rising unemployment and underemployment levels have hit all groups of young people, but certain groups have been hit hardest, experiencing Depression-era levels of joblessness.

- In 2010, nearly two years after the Great Recession, the youngest of workers still face high levels of joblessness, particularly among African American men (Figure 1.10).
- Among young men aged 18-24, one out of three young African Americans are unemployed and one out of five Latinos are unemployed (Figure 1.10).
- Among young women aged 18-24, one out four African Americans are unemployed and nearly 1 out of five Latinas (Figure 1.10).
- Joblessness declines for those in their mid-twenties and early thirties, though both African Americans and Latinos continue to experience double-digit rates of unemployment at this age (Figure 1.10).

figure 1.10 | **UNEMPLOYMENT RATE, BY AGE, SEX, AND RACE/ETHNICITY, 2010**

	MEN			WOMEN		
	18-24	25-34	35 +	18-24	25-34	35 +
ALL	19.7%	10.9%	8.3%	14.6%	9.1%	6.9%
WHITE, NON-HISPANIC	17.5%	9.9%	7 .7%	12.6%	7.7%	6.5%
BLACK, NON-HISPANIC	32.6%	19.3%	14.0%	25.2%	16.0%	9.6%
HISPANIC (ANY RACE)	21.2%	11.6%	10.4%	18.6%	10.9%	10.6%
ASIAN	14.2%	6.2%	*	10.2%	7.8%	*

*UNEMPLOYMENT RATES NOT AVAILABLE FOR ASIAN POPULATION 35 AND OLDER

SOURCE: *Demos Analysis of Bureau of Labor Statistics Data*

UNEMPLOYMENT BY EDUCATION

IN FOCUS: **A NEW GENERATION OF VETERANS**

Post-9/11 veterans enlisted knowing that they would likely see active duty, and many of them did: since 9/11, more than 2.2 million Americans have been deployed to Iraq or Afghanistan. Unfortunately, our nation has not rewarded their service with economic opportunity and stability. In fact, the opposite is true. The weak economy and the lasting mental and physical effects of combat service have left today's young vets in a deeply troubling economic condition.

- The unemployment rate for Gulf War-era II veterans ages 18 to 24 was 20.9 percent in 2010—3.6 percentage points higher than the unemployment rate for all 18 to 24 year-olds, and over 11 percentage points higher than the unemployment rate for the general population in 2010 (Figure 1.A).

- Those young veterans fortunate enough to have jobs earn on average close to the median wages for young people as a whole: veterans ages 18 to 24 earned on average $1,200 less per year than the median 18 to 24 year old, while veterans ages 25 to 34 earned $5,000 more (Figure 1.A).

A confluence of factors seems to drive this high unemployment rate: the prevalence and stigma of mental health disorders, difficulties transitioning into civilian work, a bad economy, and experience in struggling sectors.

Mental health disorders are common among veterans returning from active duty. Surveys show that employers see these mental health issues as a challenge in hiring veterans, and soldiers who have mental health problems recognize this—one in three worry about the effect it could have on their career. Surveys also show that veterans struggle to translate their unique skills to today's job climate, and employers often do not have a complete understanding of the qualifications they offer. Moreover, veterans traditionally were often working in areas with declining labor trends that were then hit hard by the Recession, such as manufacturing.

It is not all bad news. The GI Bill of Rights had lost much of its purchasing power until it was recently expanded to cover state tuition, provide grants for apprenticeship and training programs, and transfer benefits to family members. The additional aid should help this generation of veterans to attain the skills needed for civilian work. Whether it will help them over other steep economic hurdles remains to be seen.

"I HAVE A LOT OF FRIENDS WHO RECENTLY LEFT THE ARMY ... I'D SAY ONLY ABOUT 25% OF THEM HAVE JOBS."

- SOLDIER, BETHESDA, MARYLAND.

figure 1.a | **UNEMPLOYMENT AND WAGES OF VETERANS VERSUS THE POPULATION**

AGE GROUP	GULF WAR-ERA II VETERANS'		POPULATION	FULL-TIME EMPLOYED VETS		FULL-TIME, POPULATION
	UNEMPLOYMENT RATE			MEDIAN EARNINGS		
18-24	20.9%	>	17.3%	$18,800	<	$20,000
25-34	13.1%	>	10.1%	$40,000	>	$35,000

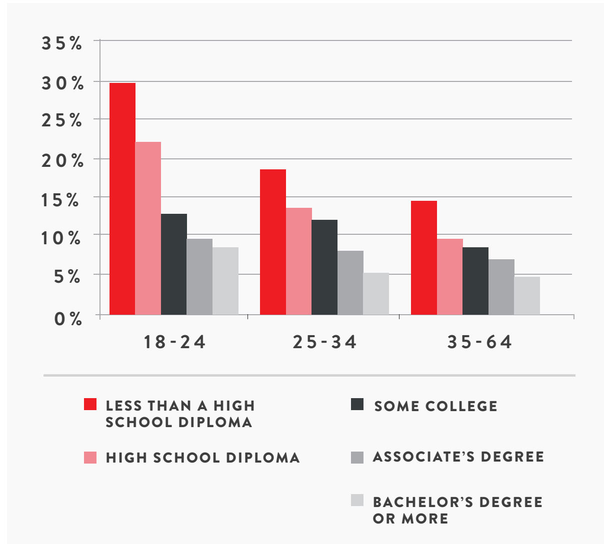
SOURCE: *Labor Force Statistics, Source: Bureau of Labor Statistics, Employment Situation of Veterans, 2010, Table 2 Median Earnings, Source: Demos Analysis of Current Population Survey March 2011 Annual Social and Economic Supplement*

Young people without bachelor's degrees are much more likely to be jobless.

- Among 18-24 year olds, one out of five people with no education beyond high school were unemployed, compared to less than one out of 10 with at least a bachelor's degree (Figure 1.11).

- Among 25-34 year olds, 14 percent of people with only a high school diploma were unemployed, compared to just 5 percent among those with a bachelor's degree or higher (Figure 1.11).

figure 1.11 | UNEMPLOYMENT RATE, BY AGE AND EDUCATIONAL ATTAINMENT, 2010



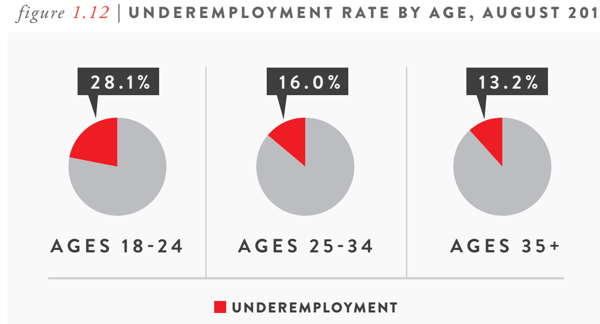
SOURCE: *Demos Analysis of Current Population Survey Basic Monthly*

UNDEREMPLOYED: WANTING MORE WORK BUT CAN'T FIND IT

Young workers are more likely to be stuck in part-time jobs than older workers, particularly those just starting out in the labor market.

- As of August 2011, more than a quarter of 18-24 year olds are underemployed, compared to just 13 percent of older workers (Figure 1.12).

figure 1.12 | UNDEREMPLOYMENT RATE BY AGE, AUGUST 2011



SOURCE: *Demos Analysis of Bureau of Labor Statistics Data*

"I'M REALLY STRUGGLING RIGHT NOW.
I'M PART OF THE UNEMPLOYED POPULATION"

- MILWAUKEE, WI.

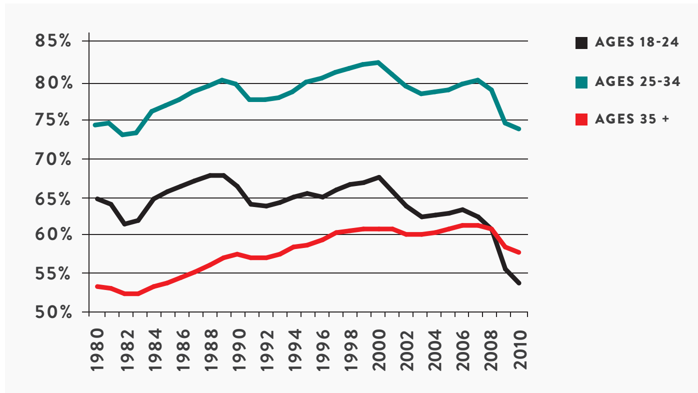
YOUNG PEOPLE NEVER RECOVERED FROM THE 2001 RECESSION.

In the year 2000, the percentage of people employed in the United States hit an all-time high, with over 64 percent of the population employed. The recession in 2001 caused that number to decline, but then the percentage of the population with jobs recovered for most workers by 2004 with one exception: the percentage of young people with jobs never rebounded. This meant that heading into the Great Recession, there were already fewer jobs available for young workers.

- Among the population ages 25-34, the percentage with jobs is at levels not seen since the early 1980s. For 18-24 year-olds, it is lower now than at any time in the past 30 years (Figure 1.13).

- Older Americans gained back their jobs after the 2001 recession—and then some—reaching an even higher rate in 2004 (Figure 1.13).

figure 1.13 | EMPLOYMENT-POPULATION RATIOS FOR ALL AGE GROUPS



SOURCE: *Demos Analysis of Bureau of Labor Statistics Data*

2

HIGHER EDUCATION

Over the last generation, the importance of obtaining some type of post-secondary credential has grown. As earnings have dropped considerably for workers with no further education beyond high school, a college education has become all but essential for entering the middle class. Yet, rising tuition prices, coupled with anemic levels of financial aid, are leaving too many in this generation without the credentials they need to thrive in the 21st century economy.

Once the unquestioned leader in educational attainment, today our nation is only 9th in the world. Among 25- to 34-year olds, we are even further behind, coming in 12th place for the percentage of young people with at least an associate's degree or higher. The pattern emerges despite the fact that increasingly large numbers of high school graduates enroll in some type of college. Yet, college completion has stagnated in the United States while it has risen in other nations.

There are many reasons why so many young people enter college, but leave before finishing their degree. Financial barriers are a primary factor as tuition at public universities has more than tripled since 1980, and financial aid has failed to keep up. The high cost of college is particularly prohibitive for students from lower-income families, and shifts away from need-based aid toward merit rewards are only exacerbating the challenge. As states continue to face budget shortfalls, funding for higher education and student aid is very likely to continue its decades-long slide. Rising tuition and limited financial aid has more students than ever before financing their college education with debt and at ever-increasing amounts. In addition, students are struggling to meet rising college costs by enrolling part-time and working long hours.

Lack of preparation at the high school level is another factor contributing to high drop-out rates. Our K-12 system often fails to graduate students ready for college, forcing many into remedial classes at the outset of their college education, which eat away at financial aid.

FINDINGS AT A GLANCE

- COLLEGE GRADUATES STILL A MINORITY OF YOUNG PEOPLE
- ENROLLMENTS CLIMB BUT DROPOUTS REMAIN HIGH
- A GENERATION OF SOARING COLLEGE COSTS IMPEDES STUDENT SUCCESS
- STUDENT LOAN DEBT CONTINUES TO CLIMB
- LOAN DEFAULTS INCREASE WITH GREAT RECESSION

The need for education beyond high school shows no sign of slowing as the American economy is projected to produce millions of "middle-skill" jobs that pay well and require an associate's degree or certificate. In order for young people to attain the credentials to compete in this economy, these cost, access, and completion hurdles must be addressed.
education.

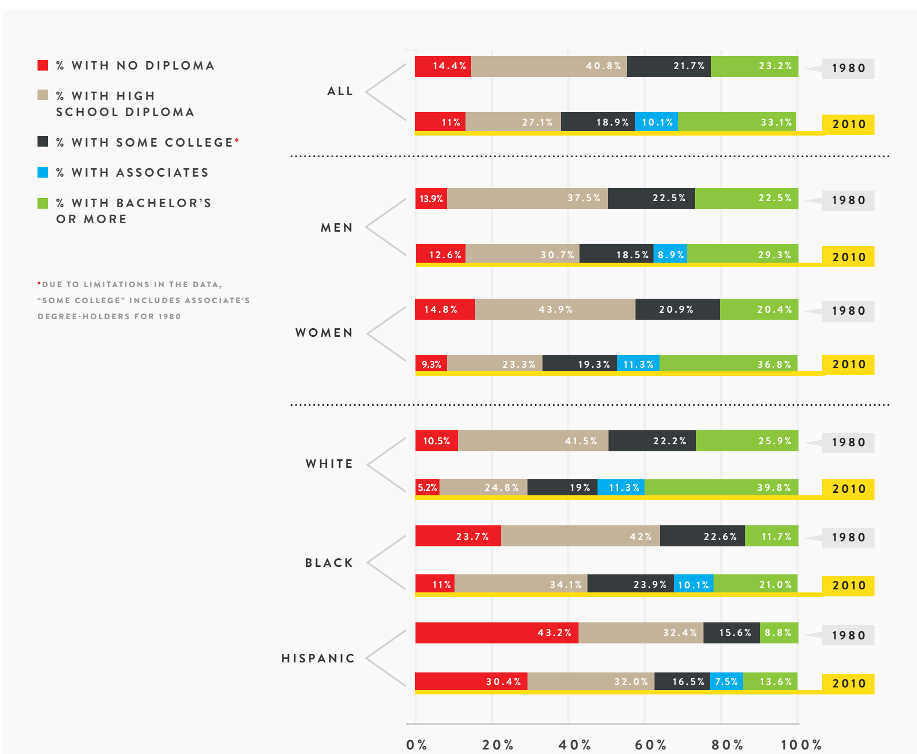
COLLEGE GRADUATES STILL A MINORITY OF YOUNG PEOPLE

EDUCATIONAL ATTAINMENT RISING BUT BIG DISPARITIES REMAIN

Since 1980, the percentage of young people with either a 2- or 4-year degree has increased significantly, but growth has slowed in the last two decades compared to enrollments, and disparities by race and class have grown wider.

- One out of three Americans aged 25 to 34 have a bachelor's degree or higher, up from nearly one out of four in 1980.
- One in ten young people have an associate's degree, a slight increase from 7 percent in 1991 when those figures were first tracked.
- The gap in college completion has widened by race since 1980, though all groups have higher percentages of bachelor's degrees. The percentage of young African Americans with a bachelor's degree grew from 12 to 21 percent; Latinos from 9 to 14 percent; and whites from 26 to 40 percent. The gap is less pronounced among associate's degree holders.
- Young women are now much more likely to have at least a bachelor's degree—a complete reversal of the gender gap from 1980. In 2010, 37 percent of young women had at least a bachelor's degree compared to 29 percent of young men. In 2000, 31 percent of young women had at least a bachelors compared 28 percent of young men.

figure 2.1 | **COLLEGE DEGREES BY AGE, RACE AND GENDER, 1980-2010**



SOURCE: *Demos Analysis of Current Population Survey, Annual Social and Economic Supplement*

"WITH THE WAY PRICES ARE RISING ON EVERYTHING, IT MAKES IT EVEN HARDER FOR MY GENERATION TO BETTER THEMSELVES INTELLECTUALLY. MORE AND MORE OF MY FRIENDS ARE BARTENDING AND WAITING TABLES INSTEAD OF GOING TO COLLEGE."

- WEST PALM BEACH, FLORIDA.

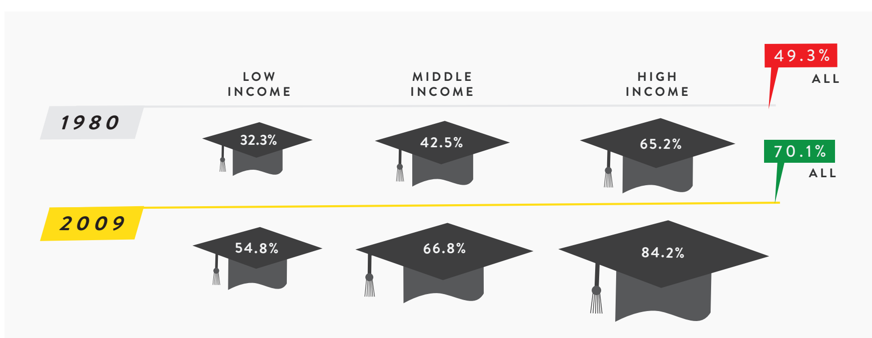
COLLEGE ENROLLMENTS CLIMB BUT DROPOUT RATES STILL HIGH

WIDE COLLEGE ENROLLMENT GAPS BY RACE AND CLASS.

The majority of high school graduates now go on to some type of college, but college degrees remain elusive. The type of college a young person attends, as well as their decision to enroll, still differs greatly by both race and income level.

- In 2009, although most young people have a high school diploma, young Latinos and African Americans graduate at lower rates: 70 percent of Latinos, 90 percent of African Americans and 95 percent of whites graduate from high school.
- Seven out of 10 recent high school graduates enroll in some type of college in the fall of the following year, up from under half in 1980.
- One-third of students enroll in public 4-year colleges, more than one-third (38%) enroll in pubic 2-year colleges, 14 percent enroll in private 4-year colleges and the remaining 10 percent enroll in private, for-profit institutions.
- The gap in college enrollment rates between low-income and high-income households was 29 percentage points, narrowing only slightly (from 33%) since 1980.

figure 2.2 | **PERCENT OF HIGH SCHOOL GRADUATES WHO ENROLL IN COLLEGE IN THE FALL IMMEDIATELY FOLLOWING GRADUATION**



SOURCE: *National Center for Education Statistics The Condition of Education 2011, Table A-21-1*

KHADIJAH'S STORY

Khadijah is a third-year student at Central Piedmont Community College in Charlotte, NC and expects to graduate in two more years after finishing the nursing program. Like many community college students, she has overcome many challenges to get where she is, and has more ahead before graduation.

She's grateful that she qualifies for the federal Pell Grant program. "Without [it] going to college would have only been a dream for me because I do not have the resources to pay for my education." Because there were no jobs when she graduated high school, working her way completely through school was simply not an option. Khadija took on three on-campus jobs one year through federal work study, but had to stop because the long hours affected her grades.

Once Khadijah gets her nursing certification, she hopes to transfer to a 4-year college and then go on to study in a Master's degree program. Ultimately, Khadijah wants to run a pediatric clinic in her community.

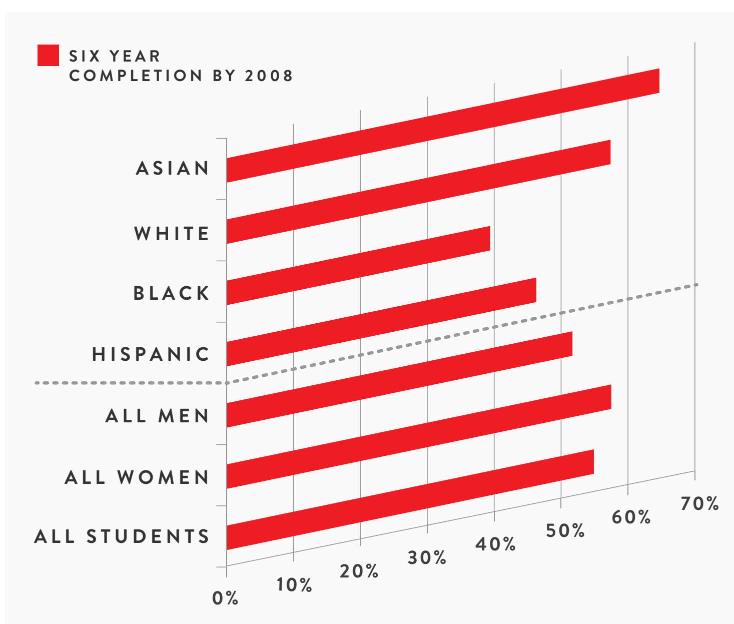
There are many steps to get there however. She will have to take extra classes because, at the onset, she was confused about which courses and prerequisites she needed to take for nursing. Maintaining financial aid amid budget cuts is another potential obstacle. "I think that if the Pell grant gets taken away, not as many young people would be able to attend college and serve their communities in the future."

ALTHOUGH MOST HIGH SCHOOL GRADS GO ON TO COLLEGE, NEARLY HALF OF THEM NEVER FINISH.

The ability for students to finish their degree varies widely by race, class as well as by the type of college attended, their degree of study and the state where they attend.

- Among full-time students seeking a bachelor's degree at public universities in 2008, the national graduation rate within six years of enrolling was 55 percent.
- Just 46 percent of Latino and 39 percent of African American bachelor's candidates completed a bachelor's degree within 6 years.
- Within all race and ethnic groups, women complete their bachelor's degrees at a higher rate than men.
- Among full-time associate's degree students, the completion rate after six years is just 28 percent, and even lower among minority groups.
- Completion rates at for-profit colleges are lowest. In 2008 the ten largest for-profit institutions graduated just 20 percent of their bachelor's degree students.

figure 2.3 | **SIX YEAR COMPLETION RATES FOR BACHELOR'S DEGREE-SEEKING STUDENTS AT PUBLIC FOUR-YEAR INSTITUTIONS**



SOURCE: *National Center for Education Statistics, The Condition of Education 2011, Table A-23-2*

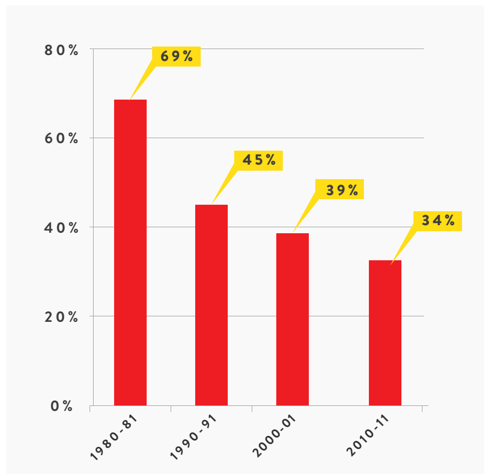
A GENERATION OF SOARING COLLEGE COSTS IMPEDES STUDENT SUCCESS

RISING COLLEGE COSTS CREATE MAJOR BARRIERS TO SUCCESS

As state funding for higher education has steadily declined as a portion of colleges revenue, colleges have raised tuition to make up for the gap—a major reason for why tuition at public colleges has more than tripled since 1980. This has left students to absorb more of the costs by taking on student debt and working long hours while in school. Unsurprisingly, financial barriers are the number one reason students cite for dropping out.

- Average tuition at public 4-year colleges was $7,600 in the 2010 academic year, up from $2,100 in 1980.
- Average tuition at private 4-year colleges nearly tripled in a generation, increasing from $9,500 in the 1980 academic year to $27,300 in 2010.
- Average tuition at community colleges also rose steeply, more than doubling from just over $1,000 in the 1980 academic year to $2,710 in 2010.
- State colleges and universities are now more reliant on tuition to cover their operating expenses as state and local appropriations have not kept pace with rising enrollments. In 1985, 23 percent of higher ed revenue was from tuition—by 2010, it had climbed to 40 percent.

figure 2.4 | **MAXIMUM PELL GRANT AS A PERCENTAGE OF TUITION, FEES, ROOM, AND BOARD; PUBLIC FOUR-YEAR INSTITUTIONS, 1980-81 TO 2010-11**



SOURCE: *The College Board, Trends in Student Aid, 2010, Table 13B, Trends in College Pricing, 2010, Table 5A, and Trends in Student Aid, 2001, Table 7*

> "I HAVE TAKEN ON $27,000 OF FEDERAL STUDENT LOANS JUST FOR MY FIRST TWO YEARS, AND NEARLY HAD TO DROP OUT OF SCHOOL AFTER MY FIRST SEMESTER BECAUSE I HAD TO PAY THE REMAINING $3,500 OF COSTS FOR THE FIRST SEMESTER OUT-OF-POCKET."
>
> - INDIANAPOLIS,

Students working longer hours and enrolling part-time to meet rising costs. The risk of dropping out of college is much greater if students enroll part-time or if they work longer than 20 hours per week. Yet, as college costs have risen, and financial aid has shifted away from grant and need-based aid to debt and merit-based aid, today's students are much more likely to be working long hours and going to school part-time.

- To finance their education, 58 percent of young community college students enroll in school part-time, and two-thirds work more than 20 hours per week.

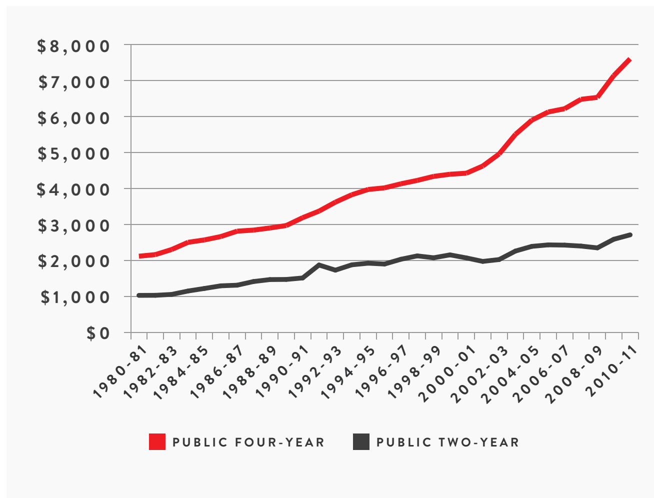
- Among 4-year college students, nearly half (46%) work more than 20 hours per week, up from 39% in 1986.

- Federal financial aid has shifted from a grant-based to a loan-based system. Today, 36 percent of all federal aid is grant-based, down from 55 percent in 1980.

- In 1980, the maximum Pell grant covered 70 percent of the costs of a 4-year public college, including room and board. Today, it covers 34 percent.

- At the state level, student aid has shifted away from need-based aid to merit-based aid. Today, 73 percent of state grant aid is need-based, down from 100 percent in 1980.

figure 2.5 | **AVERAGE TUITION AND FEES** BY INSTITUTION TYPE, 1980-81 TO 2010-11



SOURCE: *The College Board, Trends in College Pricing 2010, Table 4, "Average Published Tuition and Fee Charges in Constant 2010 Dollars, 1980-81 to 2010-11 (Enrollment Weighted)"*

"EVERY TIME I THINK ABOUT MY ECONOMIC FUTURE, I THINK ABOUT THE DEBT THAT I'VE INCURRED JUST TO IMPROVE MY ECONOMIC FUTURE. I ALWAYS HAVE TO GO BACKWARDS TO GO FORWARD."

-WASHINGTON, DC.

ERIN'S STORY

Erin has $130,000 in student loan debt after graduating from a top art college in 2010, where she got a bachelor's degree in advertising. She never thought her loans would be a problem because her professors, friends, and even lenders assured her that she would find a high-paying job straight out of college. After more than a year of searching, Erin was still unemployed and made barely enough money through freelancing to survive. Because she could not afford rent, Erin slept in her car or at different friends' homes to get by - but this was the least of her concerns.

Since graduation, Erin has not been able to pay back any of her student loans. Collectors and lenders call Erin on a regular basis, and refuse to accept partial monthly repayments. Her credit rating and finances have been severely damaged, and Erin is afraid she'll never be able to buy a car or home in the future. She recently landed a $10/hour internship with an advertising firm and hopes that this will lead her to a full-time position. Because her current salary still can't cover the cost of rent, let alone Erin's student debt, she continues to live day by day without a home, health insurance, and most other essentials.

Erin hopes that one day she's able to finally make a decent living and afford rent, but she remains pessimistic about her future. She's engulfed in debt before she can even start her life, she says, and the interest rate and late payments from her loans just keep piling up. She's afraid she's made a mistake that she will never be able to outlive.

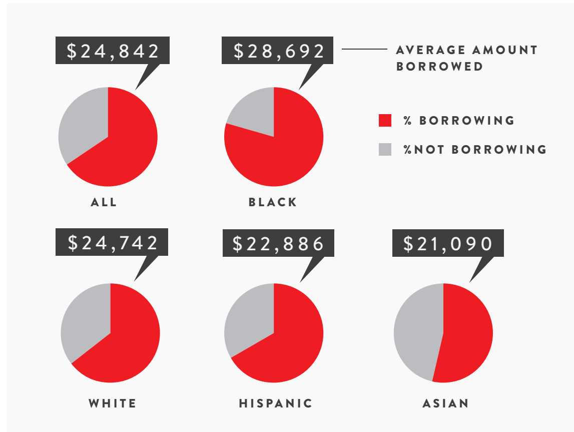
STUDENT LOAN DEBT CONTINUES TO CLIMB

Student loan debt continues to increase rapidly, and today for the first-time in history, the amount of all student loan debt is greater than the amount of credit card debt owed in the United States.

- Today, two out of three students graduate with student debt, up from one out of three in 1992. The average student graduates with over $24,000 in student loan debt.

- African American students are more likely to take out student loans, and to graduate with more debt. Among 2008 bachelor's degree graduates, 80 percent of African American students borrowed to pay for their education in 2008, graduating with an average debt of nearly $29,000.

figure 2.6 | **UNDERGRADUATE STUDENT LOAN DEBT BY RACE/ETHNICITY, 2008 GRADUATES**

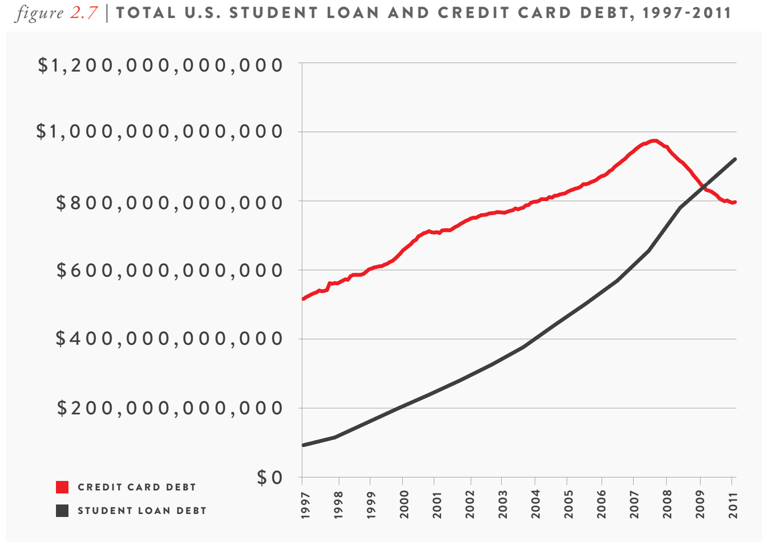


SOURCE: *U.S. Department of Education, National Center for Education Statistics, B&B: 09 Baccalaureate and Beyond Longitudinal Study.*

- Nearly one in ten undergraduate students leave school with over $40,000 in loans—requiring a typical loan payment of about
$460 per month over 10 years.

- The need for private student loans has surged as tuition costs have surpassed the amount of federal student loans students can access. In 2008, 1 out of five students took out private student loans, up from under 3 percent in the 1992 school year. Private student loans often have higher interest rates and fees, as well as limited repayment options—making them much more expensive and risky for students.

figure 2.7 | **TOTAL U.S. STUDENT LOAN AND CREDIT CARD DEBT, 1997-2011**



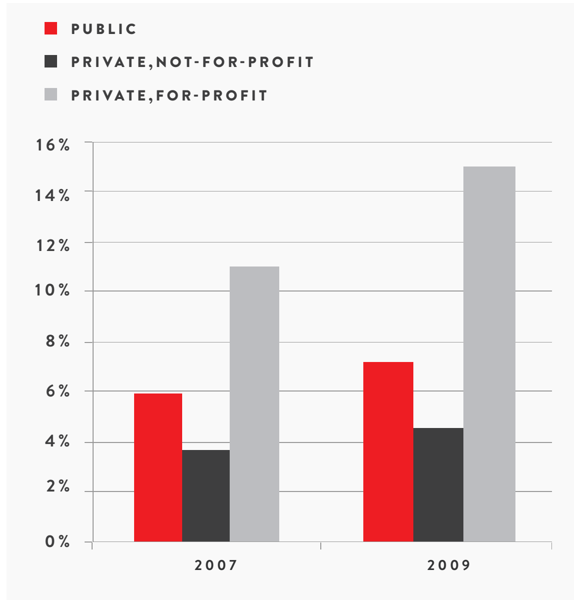
SOURCE: *Mark Kantrowitz, FastWeb.com, "Total Colege Debt Now Exceeds Total Credit Card Debt"*

LOAN DEFAULTS RISE WITH GREAT RECESSION

DEFAULT RATES ON STUDENT LOANS HAVE RISEN SHARPLY DUE TO MAJOR FACTORS high rates of joblessness and higher amounts of student loan debt, particularly among students of for-profit schools, have led to sharply rising default rates.

- In 2009, 8.8 percent of all student loans were in default after 2 years, compared to 6.7percent in 2007. That was a 31 percent increase in the default rate in just 2 years.
- African-American and Latino comprise 28 percent of all undergraduates, but make up nearly half (46 percent) of undergraduates in the for-profit sector.
- Students enrolled in for-profit schools account for 12% off all students, but 24% of all federal student loan dollars.
- In 2008, 25% of graduates from for-profit colleges were in default (Default Chart Below).

figure 2.8 | **BORROWER DEFAULT RATES** BY TYPE OF INSTITUTION, 2007 AND 2009



SOURCE: *US Department of Education, Direct Loan and Family Education Loan Programs, Institutional Default Rate Compairson as of Sept 12, 2011*

5

RAISING A FAMILY

Most young adults still start families before age 35 , but they face a much different set of challenges than their parents did a generation ago. Family structures now vary widely; high divorce rates and babies born outside of marriage mean that many children grow up without a traditional two-parent, single-earner household. Young people also start families later in life than their parents did. Today the average age a woman has her first child is 25, up from 21 in 1970. At the same time, economic challenges associated with parenting have grown substantially.

The stagnant household incomes described above leave young families in worse shape to deal with the rising costs they face. Many are still paying off student loan debt, juggling mortgages or rents that absorb a larger percentage of their income, and often pay for costly child care. Combined with the drop in income many families experience during the initial months after the birth of a child, these costs can create serious financial burdens for new parents. More than one in three young families lived in poverty in 2010, the highest share on record.

As women joined the workforce, families partially offset rising costs and men's falling wages, but they now must juggle complex and costly child-care arrangements. Paying for someone to watch the kids is one of the biggest expenses in a young family's household budget, often second only to housing. The price of child care is rising faster than inflation, with average monthly fees for two children exceeding median rent in nearly every state. Because of these high costs, professional child care is unaffordable for many families, and only a fraction of families with working mothers put their children in paid care. Families are increasingly turning to extended family—grandparents and other relatives—and unstable ad-hoc arrangements to care for their children while they're at work.

Single parents, mainly single moms, have a particularly tough time. Without the benefit of a second income they often have trouble making ends meet. Limited subsidies are available to help lower-income parents pay for child care.

Aside from struggling to afford child care, the need to earn two incomes means parents have a hard time simply spending time with their children. Unlike 169 other countries in the world, the United States does not guarantee any amount of paid leave to new

FINDINGS AT A GLANCE

A CHANGING FAMILY

- AMERICANS ARE STARTING FAMILIES LATER
- YOUNG WORKING MOMS INCREASE
- PARENTS' "FAMILY WORKLOAD" CHANGING
- NO PAID PARENTAL LEAVE; FEW PAID DAYS OFF

CHILD CARE: COSTS AND ARRANGEMENTS

- HIGH COST OF CARE
- INCREASED ALTERNATE FORMS OF CARE

parents, leaving it in the company of just three other nations: Liberia, Papua New Guinea, and Swaziland . Only three states and few companies offer paid family leave, and as a result, just 11 percent of U.S. workers have access to paid family leave at work. And many workers, particularly low-wage ones, have little or no paid time off to begin with. They are forced to take unpaid time off, time they can scarcely afford. Or they could do what a quarter of new mothers do, and quit their jobs.

The economic challenges facing young Americans not only make it difficult to make ends meet today, but impede their ability to raise the next generation. Without a change of direction, young parents will continue struggling to pay for expensive child care, all the while missing out on quality time with their children. According to one projection, the majority of the 14 million new jobs created in the next decade will require some type of college or training, though often an associate's degree will suffice.[1] With falling wages and benefits in service-level jobs, the message is clear: right now, the only path to economic opportunity for this generation runs through the doors of higher education.

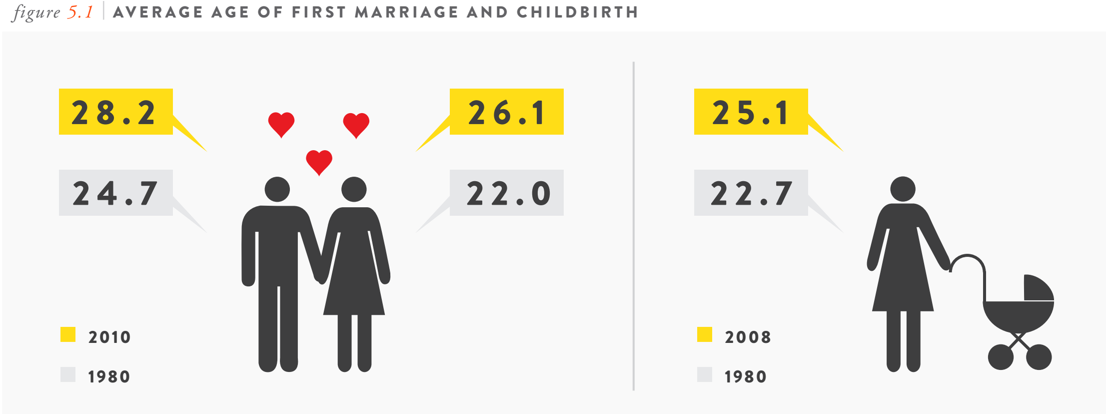
A CHANGING FAMILY

AMERICANS ARE STARTING FAMILIES LATER

Both men and women are waiting longer to marry, and women having their first child later as well.

- The average age at which American males first marry reached a historic high of 28.2 in 2010, an increase of 3.5 years over the past three decades. Women are marrying later as well; their first marriage occurred on average at 26.1 years old in 2010, up 4.1 years from 1980 (Figure 5.1).
- The average age that women have their first child has also increased. The most-recently-available estimate of 25.1 years old in 2008 represents a 3.3-year rise from the average of 22.7 years old in 1980(Figure 5.1).

figure 5.1 | AVERAGE AGE OF FIRST MARRIAGE AND CHILDBIRTH



SOURCE: *1. U.S. Census Bureau, Current Population Survey, March and Annual Social and Economic Supplements, 2010 and earlier. Table MS-2: http://www.census.gov/population/www/socdemo/hh-fam.html 2. T.J. Mathews and Brady Hamilton, "Delayed Childbearing: More Women Are Having Their First Child Later in Life", NCHS Data Brief No. 21, August 2009[Machine-readable database]. Minneapolis: University of Minnesota, 2010.*

YOUNG WORKING MOMS INCREASE

As young mothers have entered the labor force in vast numbers over the past generation; parents simply cannot afford to take time off to care for and bond with their children.

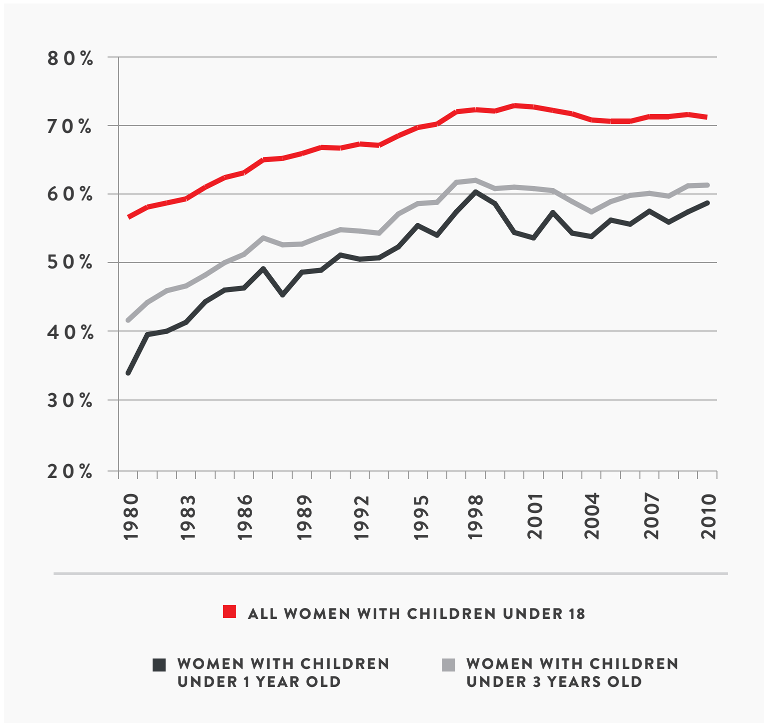
- Overall, women with children participate in the labor force at around the same rate as all women: in 2010, 71.2 percent of women with children under 18 were in the labor force (Figure 5.2), compared to 75.2 percent of all women ages 25 to 54 .

- The labor force participation of women with children rose rapidly, from 56.6 percent in 1980 – a 25 percent increase in one generation (Figure 5.2).

- Women with young children have joined the workforce at the highest rates. Just 33.9 of women with children less than a year old were part of the labor force in 1980. Their 58.7 percent participation rate in 2010 represents a 73.2 percent rise over the past 30 years *(Figure 5.2)*.

- Women with children under 3 have joined the labor force at a similar pace and pattern, rising from a 41.6 percent participation rate in 1980 to 61.3 percent in 2010 *(Figure 5.2)*.

figure 5.2 | **LABOR FORCE PARTICIPATION** OF MOTHERS



SOURCE: *Data extracted from IPUMS, Miriam King, Steven Ruggles, J. Trent Alexander, Sarah Flood, Katie Genadek,Matthew B. Schroeder, Brandon Trampe, and Rebecca Vick. Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database]. Minneapolis: University of Minnesota, 2010.*

PARENTS' "FAMILY WORKLOAD" IS CHANGING

As more mothers enter the workforce, the way that parents spend their time is changing. Mothers are working much more and spending much less time on housework than they were a generation ago, and fathers are working slightly less while spending more time on both housework and with their children.

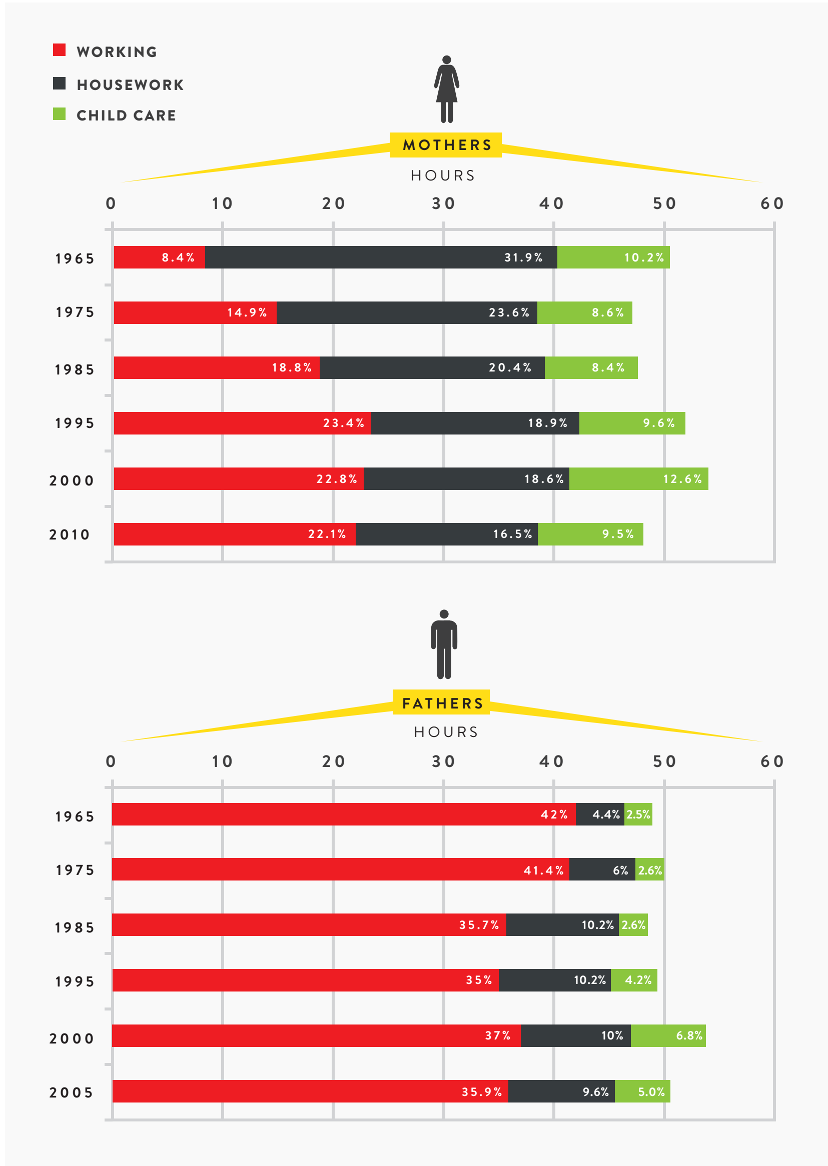
- Mothers of young children spend, on average, 22 hours a week working for pay, over 7 hours more per week than they spent in 1975. These 7 hours mirrors the average reduction in the hours mothers spend on housework per week, which has fallen to 16.5 hours per week in 2010 (Figure 5.3).

- Fathers spend, on average, 5.5 hours less at their jobs than they did in 1975, but spend 6 more hours per week on housework and child care combined (Figure 5.3).

- Though, the household division of labor is much more equal than it was a generation ago, mothers still spend more time on childcare and housework than fathers, and fathers still spend more time at work than mothers (Figure 5.3).

- Overall, mothers' and fathers' "family workload"—the total amount of time spent working, doing housework, and taking care of children—has changed little over the past 35 years, hovering around 50 hours a week for both women and men (Figure 5.3).

figure 5.3 | **MOTHERS' AND FATHERS' TIME SPENT PER WEEK, SELECTED ACTIVITIES**



SOURCE: *"The Changing Rhythms of American Family Life", Bianchi et. Al., Russell Sage Foundation 2007 (1965 -2000) and the American Time Use Survey, Bureau of Labor Statistics, http://www.bls.gov/tus/ (2010)*

NO PAID PARENTAL LEAVE: Very few new parents have access to paid parental leave, and many have no access to paid leave of any kind, leaving young families with few options when they look to start or expand their family.

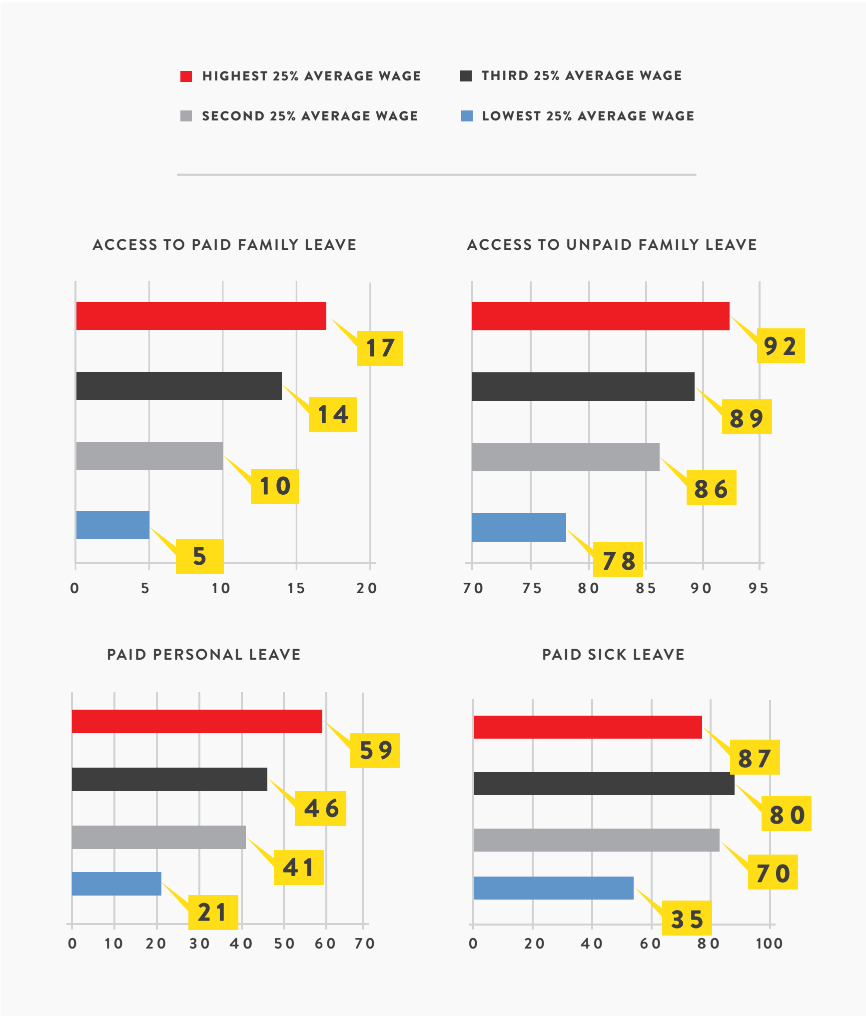
- Just 11 percent of all workers had access to paid family leave benefits in 2010, while 74 percent of workers had access to paid vacation days (Figure 5.4).

- 78 percent of workers in the bottom quarter of earners had access to unpaid family leave, compared to 92 percent in the top quarter (Figure 5.4).

- Only 5 percent of workers in the bottom quarter of earners had access to paid family leave, while 17 percent of workers in the top quarter of earners did (Figure 5.4).

- Lack of access to leave of any sort was one of the primary reasons that, as of 2003—the most recent data available—25.3 percent expecting or recent mothers quit their jobs (data not shown).

figure 5.4 | **SHARE OF WORKERS WITH ACCESS TO LEAVE BENEFITS, BY INCOME LEVEL**



SOURCE: *Bureau of Labor Statistics, Employee Benefits Survey, Table 32, "Leave Benefits: Access, Civilian Workers"*

- In the early 2000s, 55 percent of all mothers returned to work within six months after their child was born, and 64 percent returned by the end of the year; a generation ago, in the early 1960s, only 14 and 17 percent, respectively, of women returned to work in the same time frames.

SEAN AND MELISSA'S STORY

For Sean T. and his fiancée Melissa H., financial constraints have meant that family life hasn't been easy. Sean usually works 2 jobs, and is on the clock 5 days a week from 7:30 am to 10:00 pm, while Melissa stays at home with their 5 month-old. Going back to work isn't an option for Melissa, because the $8/hour wage at her old job would only partially cover the cost of daycare. On top of that, Sean would have to quit one of his jobs to pick up and drop off their son.

Their financial constraints are a constant struggle. Melissa is thankful that they qualify for the WIC program, which helps her pay for her son's formula and basic food that they otherwise could not afford. Their family is lucky enough to have health insurance through Sean's job, but they still have difficulty paying their monthly premium.

Melissa and Sean want to get married and have more children, but they don't expect that to happen any time soon. They have no money to save up for a wedding; any extra money they have goes towards paying off $20,000 of student loans and credit card debt, as well as the $2,500 hospital bill they now owe after the birth of their son. They expect that their debt will be paid down in 6 years. Until then, their lives are on hold.

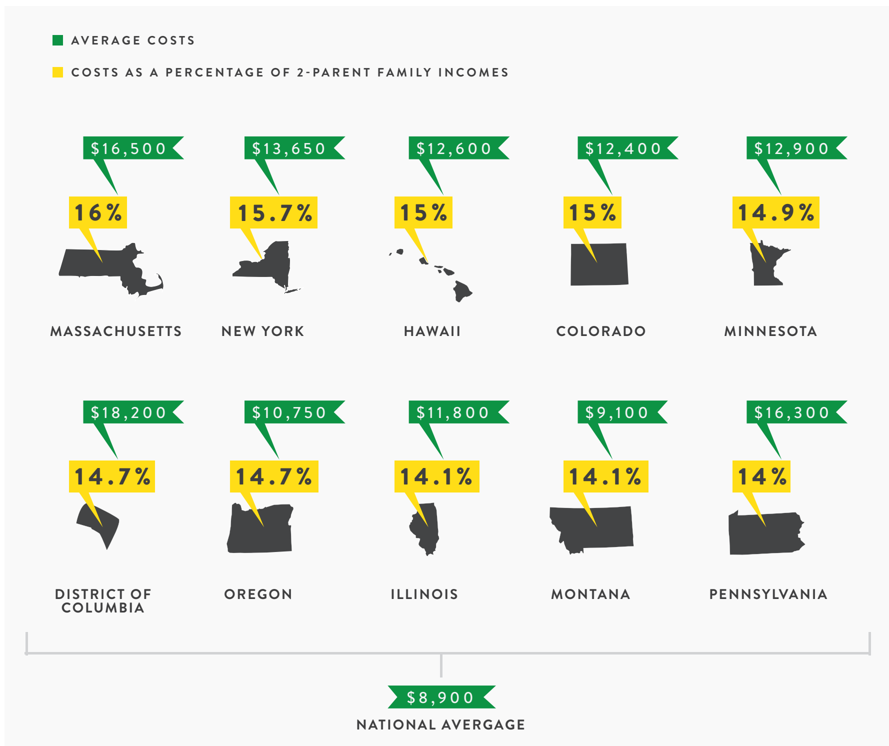
"At the end of the day," Sean says, "one of the hardest things for me to accept is that even though my workload has increased, I have nothing to show for it. All the talents I have, all the skills I learned in college are wasted. And yet, to afford to pay my bills, to repay my debt, and to support my new son I can't look for anything else. There's no time for interviews. There's no mobility for me

CHILD CARE: COSTS AND ARRANGEMENTS

HIGH COST OF CARE:
Child care arrangements and costs can pose a huge burden for many families.

- Center-based child care fees for two children (an infant and a 4-year-old) exceeded annual median rent payments in every state.
- Center-based child care costs in 2010 averaged nationally $8,900 for full-time care for an infant and $7,150 for full-time care for a preschooler.
- As a percent of state median income for two-parent families, the average annual cost of child care for an infant ranged from a high of 16 percent in Massachusetts to a low of 7.3 percent in Mississippi (Figure 5.5).
- Overall, the price of center-based child care increased by 1.9 percent between 2009 and 2010 alone; while inflation overall for 2009 was negative 0.4 percent.

figure 5.5 | COST OF INFANT CARE, 10 LEAST AFFORDABLE STATES



SOURCE: *National Association of Child Care Resource & Referral Agencies, Child Care in America State Fact Sheets July 2011*

"THE LACK OF AFFORDABLE CHILD CARE IN CA IS THE MAIN REASON MY HUSBAND HAD TO QUIT HIS WELL-PAYING FULL TIME JOB. THE MONTHLY RATE OF $900 A MONTH PER CHILD FOR EACH OF OUR 4 KIDS EXCEEDED HIS TAKE HOME PAY. WE DECIDED THAT IT DIDN'T MAKE SENSE FOR US BOTH TO WORK."

-SANTA ROSA, CALIFORNIA.

ALTERNATE ARRANGEMENTS:

The high cost of care leads many to turn to relatives or ad-hoc child care arrangements, which are particularly common among low-income and minority workers.

- More children have no regular child care arrangement (shown as "Other" in Figure 5.6), rising from less than 1 percent in 1985 to 14.1 percent today.
- More children are being primarily cared for by their fathers and grandparents, however, rising from 15.7 percent and 15.9 percent, respectively of all young children with employed mothers in 1985 to 18.6 percent and 19.4 percent in 2010 (Figure 5.6).
- Child care arrangements also vary widely by income, race, and education. 25.6 percent of children of families above the poverty line were in center-based care in 2010, compared to 15.4 percent of children of families below the poverty line (Figure 5.6).
- The share of children of below-poverty families in center-based care has fallen significantly in the past 22 years, from 21.6 percent in 1988 to 15.4 percent in 2010, as child care costs rising far faster than family incomes or the poverty level priced many families out of center-based care (Figure 5.6).
- Young children of Latino mothers were primarily cared for by relatives—collectively, at 60.7 percent in 2010—more frequently than children of either African American or white mothers, of whom 47.6 percent and 44.9 percent, respectively, in the same year were cared for by their relatives (Figure 5.6).

figure 5.6 | **PRIMARY CHILD CARE ARRANGEMENTS FOR CHILDREN UNDER AGE 5 WITH EMPLOYED MOTHERS, SELECTED YEARS 1985–2010**

SOURCE: *Bureau of Labor Statistics, Employee Benefits Survey, Table 32, "Leave Benefits: Access, Civilian Workers"*