Post-Millennial

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From to College to Career: Making Sense of the Post-Millennial Job Market

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Millennials have taken longer to launch their careers than previous generations, and some have failed to launch their careers altogether, while progress toward equity in education and the labor market has stalled. These challenges were driven by the shocks associated with two recessions and long-term structural economic changes that increased entry-level job requirements. This paper explores these trends and how they have made it more complex for young adults to navigate the transition from school to career. To address these challenges, policymakers should expand access to college and strengthen the connections between education and careers.

Introduction

There are more than 75 million Millennials in the adult population, more than 50 million of whom are working. In 2015, Millennials surpassed both Baby Boomers as America’s largest generation of adults and Gen Xers as the nation’s largest generation of workers (Fry, 2015).

Millennials’ transition from youth into adulthood has differed from Baby Boomers and Gen Xers. They have taken longer than previous generations to launch their careers and adult lives; and many have failed to transition into economic self-sufficiency altogether, left behind by an economy that is not creating enough jobs that pay a living wage consistent with a middle-class lifestyle, especially for those without a college degree. Changes in socio-cultural preferences have led to increased college-going and delayed

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1 In this paper, we define the generations into the following age groups: Baby Boomers, born 1945-1964, ages 51-70; Gen Xers, born 1965-1981, ages 34-50; Millennials, born 1982-2000, ages 15-33.
2 Throughout this paper, we use the term “college” broadly to refer to all postsecondary degree and certificate-granting institutions, including community and technical colleges.
family formation that partly explain why it has taken Millennials longer to achieve financial independence (Danzinger and Rouse, 2007).

As older Millennials form families and households, and become more civically active, they will define the public discourse in the coming decades. Millennials’ lagging transition into the workforce suggests that the 20th century model of education, work, and retirement neither reflects young adults’ delayed career launch, driven by rising entry-level job requirements, nor older adults’ delayed exit from the workforce. To prepare the Millennial generation for these post-Millennial realities, certain issues must receive larger attention from policymakers, such as universal access to affordable college, lifelong learning, and equity in education and the labor market.

The Evolving Job Market

Baby Boomers came of age in an economy where young men with only a high school education could find jobs that paid a living wage and enabled them to support a family (Moretti, 2012). At that time, employers were more willing to provide low-skill workers with general and specialized training (Carnevale, 1988). Growing transportation efficiency, fueled by the interstate highway system and innovations in auto manufacturing, allowed industry to move factories to suburbs and small towns. Combined with the high crime rates of cities and desegregation, these developments led to “white flight”—the migration of whites from cities to the suburbs and exurbs (Frey, 1979).

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As Gen Xers graduated from high school in the early 1980s, manufacturing was in decline as a chief career pathway for young adults, but many good jobs remained (Moretti, 2012). The economy was booming, as most Gen Xers launched their careers in a period defined
by strong growth and low business cycle volatility. Consulting and information technology sectors were growing. Women made enormous progress, entering the workforce in large numbers, narrowing the gender wage gap, and forging pathways into career fields traditionally dominated by men. In the 1990s, African Americans made enormous leaps in employment and closing the black-white wage gap.³

In contrast, as the first waves of Millennials began entering adulthood in the 2000s, they were hit by two recessions, the second of which was the largest shock to the U.S. economy since the Great Depression (International Monetary Fund, 2008). Despite the fact that Millennials are the most educated generation in American history – 34% have a bachelor’s degree compared to 25% of Baby Boomers and Gen Xers when they were the same ages (Taylor et al., 2014) – their high level of academic preparation has not been enough to overcome the economic shock of two recessions.

**Millennials’ Failure to Launch**

The 2000s saw the employment rate for Millennials in their late 20s decline from 88% to 80%, and, for those in their early 20s, from 84% to 72% (Carnevale et al., 2013a). That means 5.6 million Millennials who would have had a job in the 2000 economy did not have one in the 2010 economy.

Most Millennials’ attempts at transforming their education into a career occurred in a slack labor market, where the competition for any given job opening remained high. Young adults are typically most affected by slack labor markets – due to their lack of tenure and work experience, they are the last hired and first fired (Carnevale et al., 2013a). Following the Great Recession of 2007-09, Millennials’ rate of unemployment, which was already higher than other generations’ despite their early malleability in the labor market, more than doubled, from 6.5% to 13.4%.⁴

³ Georgetown University Center on Education and the Workforce analysis of data from the U.S. Census Bureau’s Current Population Survey (March supplement), 1980-2010.
⁴ Georgetown University Center on Education and the Workforce analysis of data from the U.S. Census Bureau’s Current Population Survey (March supplement), 2007-2010.
Entering a slack labor market at the start of their careers has been shown to have long-term negative wage effects, as workers settle for jobs below their qualifications. These negative effects can last ten years or longer (Kahn, 2010).

While the Great Recession was a major shock to the job market, the underlying structural changes in the economy also had a major impact on the attempts by Millennials to launch their careers. Employers increased their entry-level job requirements, while colleges became increasingly responsible for providing entry-level training (Carnevale et al., 2015d). More and more, employers began requiring their entry-level job candidates to have college degrees before their applications were considered. Eventually, a college degree itself wasn’t enough, as employers began requiring relevant work experience as well. The combination of a slack labor market, increased entry-level job requirements, and the decline of employer-provided entry-level training left many college-educated Millennials either unemployed or underemployed, at risk of skill atrophy.
How Skill-Biased Technological Change and Globalization Affected Millennials

In part, these trends resulted from a slack labor market that allowed employers to be more selective in their hiring practices – there simply were not enough jobs to go around. But they were also driven by structural changes in the economy – technological innovations that automated many tasks involved in the blue-collar factory jobs of the 20th century, and globalization that allowed companies to ship their operations overseas (Brynjolfsson and McAfee, 2014). The jobs created in their place were polarized: high-skill, high-wage jobs in such areas as consulting, healthcare, and business services and low-skill, low-wage jobs in healthcare support and food and personal services (Carnevale and Rose, 2015c).

“Millennials who grew up in small towns and were exposed to cities through college found that they had to stay in the cities if they wanted jobs.”

Due to an evolution towards a polarized job market, the service sector came to dominate the economy, with the majority of new jobs created in offices, restaurants, and hospitals in cities. Building new factories in the suburbs and exurbs was no longer economically viable, as the manufacturing sector rapidly declined. Millennials who grew up in small towns and were exposed to cities through college found that they had to stay in the cities if they wanted jobs (Council of Economic Advisors, 2014). As a result, Millennials have urbanized at a greater rate than previous generations.

Today, access to high-skill, high-wage jobs depends on having a college degree, the chief marker of competence used in the American labor market. More than 60% of jobs require some education or training beyond high school, compared to less than 30% in the 1970s (Carnevale et al., 2010).
Percentage of Employed Millennials, by State, 2013

Percentage of employed millennials (age 18-34) in 2013 by state.

Because education and work experience became increasingly necessary requirements for most entry-level full-time jobs, it has taken Millennials longer to get these jobs. Millennials take four more years to reach the average wage for all workers than Baby Boomers did - Boomers earned the average wage by age 26; Millennials do not reach that point until age 30 (Carnevale et al., 2013a). This has limited Millennials’ purchasing power and made it more difficult for them to accumulate wealth.

**The Increasingly Complex School-to-Work Transition**

Just as reaching economic stability has become more challenging for Millennials, navigating the school-to-career transition has also become far more complex, as the number of colleges, majors, and career fields has grown rapidly. Millennials have had to make choices with critical economic consequences, including:

- **Whether to pursue a bachelor’s degree, associate degree, or certificate.** Young adults have to weigh the career prospects associated with different credentials, the costs associated with different programs, and their likelihood of completing their chosen program when deciding on which degree or certificate is right for them.

- **Where to go to college.** Former college students’ average annual earnings vary from $18,000 to $92,000 10 years after they enroll depending on where they attend college (Carnevale et al., 2015b).

- **Which field or major to study.** The most lucrative majors lead to lifetime earnings more than $3 million higher than the least lucrative majors (Carnevale et al., 2015a). Millennials are more likely than previous generations to have studied social sciences and applied technical career fields, such as communications, protective services, and library sciences (Council of Economic Advisers, 2014). These fields lead to careers that pay a middle-class wage, but do not pay as well as STEM (science, technology, engineering, and mathematics) and healthcare majors, fields Millennials are less likely to have studied than previous generations.
• **Whether to supplement their academic background with an alternative career credential such as a certification or license.** Many career fields, especially in healthcare and education, require a certification or license in addition to a college degree. In other cases, a certification is not required, but there are substantial benefits associated with earning one.

• **Whether to invest in work-based learning.** Millennials have also had to navigate a vast array of work-based learning opportunities, which have become increasingly necessary to enter the full-time entry-level labor market. These include internships, externships, apprenticeships, mentorships, job shadowing, and part-time jobs.

After securing the education, training, and work experience required to enter the full-time labor market, Millennials face an increasingly complex job search process. Previous generations applied for jobs in their local area, which they found through newspaper ads or word of mouth. The advent of the Internet and web-based recruiting platforms has provided Millennials with access to a seemingly boundless number of job openings across the country. This has been a double-edged sword: On the one hand, Millennials have had access to more job opportunities than previous generations could have imagined; on the other hand, the competition for any individual job has intensified (Hadas, 2003).

Conversely, employers now receive far more applications for a typical job opening than they can review (Hadas, 2003). As a result, they have adopted software that allows them to filter job candidates to curb recruiting and hiring costs (Cappelli, 2012). These developments have effectively led employers to increase standards for what constitutes a qualified candidate for a job. Instead of hiring candidates with strong work ethic and cultural fit who can be trained into productive employees, employers are increasingly looking for candidates who can perform a job proficiently on day one (Cappelli, 2012). This has especially hurt less-educated workers from disadvantaged family backgrounds, as employers have invested more training dollars in college-educated workers. Nearly 60% of employers’ spending on formal training is to train workers who already have
college degrees, while workers with a high school education or less account for only 17% of spending on formal training (Carnevale et al., 2015d).

The Future of Work for Post-Millennial Generations

Structural changes to the American economy that have taken place over the past several decades have created barriers to adult independence and labor force attachment. Alongside these changes, Millennials have taken longer to launch their careers and adult lives, save at lower rates, and accrue more debt than previous generations. These changes have disproportionately affected young men and have slowed progress toward alleviating race-based inequalities in the labor market. As a result of declining opportunities in the labor market in career fields traditionally dominated by men as well as women’s increased integration into the workforce, gender-based inequalities have declined for Millennials, but persist at high levels across career fields.

One of the most consequential changes that has taken place in the job market is the rising skill requirements for entry-level work. Many unemployed job seekers have difficulty even getting their applications reviewed – especially young adults with long bouts of unemployment, no college degree, or limited work experience. These workers, who comprise a disproportionate number of young adults, people of color, and people from working-class families, are forced to endure longer bouts of unemployment or settle for jobs that are a poor match for their skills, leading to an inefficient use of human capital across the economy. These dynamics have created an increasingly polarized labor market, leaving workers with the most difficulty finding a job even more vulnerable and rendering older Millennials without the economic stability on which previous generations could count.

“In an increasingly polarized labor market, leaving workers with the most difficulty finding a job even more vulnerable.”
Change in Average Student Loan Debt by State, 2004 - 2014

States represented in the sample had at least one-third of schools studied provide data for both years. States with less than one-third of schools reporting for both years are not represented. This includes the District of Columbia, New Mexico, and North Dakota.

Millennials’ delayed transition into careers has coincided with a series of related economic and socio-cultural changes that have also delayed their transition into adulthood, as based on traditional indicators such as living independently, starting a family, and owning a home (Taylor et al., 2014a). Since the 1960s, the share of Americans who complete school, leave home, achieve financial independence, marry, and have children by age 30 has declined from three-fourths to less than half of women and from two-thirds to one-third of men (Danzinger and Ratner, 2010).

Due to the rising costs of college, increased rates of college attendance, scarcer economic opportunities, and declining rates of homeownership, Millennials have had to take on greater levels of debt while saving at lower rates. As a result, they have begun their adult lives deeper in debt and devoid of assets (Danzinger and Ratner, 2010). If these trends continue, post-Millennial generations’ net worth will not be positive until they reach their middle ages, a substantial burden given the financial and psychological costs associated with debt.

The Decline of Young Men

Young men with a high school education or less have seen the starkest declines in the career opportunities relative to previous generations. In 1980, a high school-educated man in his 20s earned $34,000 annually; today, the similarly qualified man would earn $25,000 annually, a 26% decline (Carnevale et al., 2013a). The share of men in their 20s working in blue-collar jobs, once American men’s chief route to a middle-class life, declined from 54% to 36% (Carnevale et al., 2013a). While young women responded to the changing dynamics of the labor market by graduating from college at substantially higher rates, young men’s college degree attainment increased only slightly.

“Despite declining opportunities for men and educational advancements for women, men still earn more than women at every education level.”
Since the 1980s, women's college graduation has increased by 14 percentage points, compared to 4 percentage points for men (Carnevale et al., 2013a). As a result of men's failure to keep up with new economic demands, many have been left with jobs in sales, office support, food service, and personal services fields. Many of these jobs are part-time, low-wage, and do not provide opportunities for career advancement. Despite declining opportunities for men and educational advancements for women, men still earn more than women at every education level, and men without a college education commonly earn more than college-educated women. In other words, the declines in labor market opportunities for young men and progress of young women have not offset gender-based differences in employment and earnings.


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5 Ibid.
Unequal Race-based Effects

Not only has the evolution of the job market been biased in some ways against young men, it has also been race-biased against African Americans, especially in the 21st century. Millennials are the most racially diverse generation in American history, but the dynamics of the economy have exacerbated race-based economic inequality, after substantial progress toward closing racial economic gaps in the 1990s. For example, since 2000, the share of young African Americans working full-time declined from 65% to 48%, which has more than doubled the employment gap between white and black Millennials from 6 percentage points to 14 percentage points (Carnevale et al., 2013a). While, these changes were largely driven by the Great Recession, which disproportionately affected African Americans (Carnevale et al., 2013a), the depth of that recession and length of slow recovery that followed have made these inequalities more lasting and distinctive part of Millennial generation as it comes of age.
Improving the School-to-Work Transition for Post-Millennial Generations

As America enters the post-Millennial era, where older Millennials necessitate similar economic stability as their generational predecessors, policymakers and educators should seek ways to help young people of all backgrounds to successfully obtain and upgrade the necessary skills to launch and maintain their careers. That means helping them progress through the college classrooms and towards college degree or certificate, by re-examining initiatives like the Obama administration’s America’s College Promise and similar state-based initiatives\(^6\) that allow many students to attend the first two years of college tuition-free. It also means promoting career and technical education and work-based learning opportunities in high school and beyond by reauthorizing the Perkins Act and expanding funding for career and technical education at the state level.

\(^6\) Tennessee, Oregon, and Minnesota have piloted similar initiatives, while legislation has been proposed in at least 10 other states.

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Policymakers can improve educators’ and students’ decisions by:

- Strengthening the connections between education and careers;
- Promoting the transparency of the economic value of college programs through consumer information tools like the Department of Education’s College Scorecard; and
- Using labor market outcome standards to award federal and state funding to college programs, as the Department of Education’s Gainful Employment rule and states that have begun to accredit and fund college programs based on labor market success, as defined by job placement rates and post-graduate earnings.
- Using labor market information to better match employers and job seekers in the labor market, developing public job boards and American Job Centers already funded by the Workforce Innovation and Opportunity Act (Carnevale et al., 2012).

In short, America needs to develop an operating system that uses new and existing policy tools to connect talent to opportunity in the labor market. To date, students have made decisions about what to study and which careers to pursue without sufficiently considering the robustness of opportunities in that career field (Betts, 1996); at the same time, employers have relied on outdated models to identify talent (Cappelli, 2012). As decisions about education, training, and careers become increasingly difficult to navigate, students and their families need to understand the costs and likely employment and earnings outcomes of the programs they are considering.

Today, both data and software exist that can help students and jobseekers better understand the pathways between education and careers and help employers identify talent in a nuanced way that promotes opportunity instead of obstructing it. Over the past decade, the federal government has invested more than $700 million to help states build statewide longitudinal data systems (SLDS). SLDS have the potential to track students from pre-school through graduate school and the workforce, though their coverage varies from state to state. These data systems contain information about students from a variety of sources. Because each student has a unique identifier, such as a Social
Security number, multiple data systems can be connected to analyze data from pre-school through high school, college, the workforce, and many other education and training experiences. Since the initial funding of SLDS, increased access to data sources and computing power has revolutionized states’ ability to understand what happens to students as they move through the education system as well as after they leave and pursue careers in the job market (Workforce Data Quality Campaign, 2015).

States are connecting education data to labor market information in order to understand the labor market outcomes of college graduates by program of study and close industry-based skills gaps; to provide consumer information to students, parents, and workers; and to help colleges, college programs, and policymakers better understand the economic value of college programs to make evaluation, development, and funding decisions (Workforce Data Quality Campaign, 2015). Colleges can use these information systems to graduate more students from their halls, encouraging educational actors to employ new-age strategies, such as predictive analytics and insights from the behavioral science field, to target interventions. These systems also allow colleges to promote the alignment of their programs with the job market, through program and curriculum development, so that students in post-Millennial generations develop the competencies employers seek.

“Today, both data and software exist that can help students and jobseekers better understand the pathways between education and careers and help employers identify talent in a nuanced way that promotes opportunity instead of obstructing it.”

This also has the potential to accelerate post-Millennial generations’ transitions into the workforce by streamlining curricula using data that identifies the essential competencies in a given career field, as competency-based education programs have begun to do., In theory, these developments would allow post-Millennial generations to accrue less debt and begin earning and saving at earlier ages. Finally, these information systems can be used to better match young adults to job openings based on their education and competencies, allowing them to build career capital and ascend career ladders more
rapidly. Combined with other data sources, these information systems have the potential to improve the American education and training system in ways that serve students and trainees better, use public funding more efficiently, and promote economic development and growth.

As employers demand increasing levels of skill, the risk of not responding to the new challenges post-Millennial generations will face in transitioning into careers will continue to grow. More young people will be left behind to low-wage and part-time work, or become discouraged and drop out of the labor force altogether, exacerbating economic and social inequality and amplifying political tensions. On the other hand, addressing these challenges would promote economic and political stability and shared prosperity for young people of all backgrounds.
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