Research Brief: Younger Workers' Earnings Still Haven't Recovered from the Great Recession*

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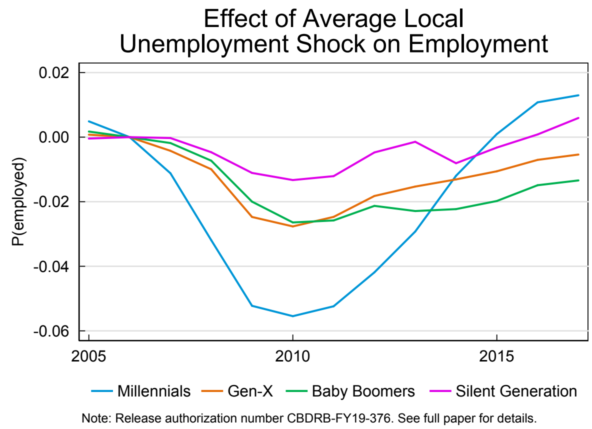
In the aftermath of the Great Recession, the national unemployment rate peaked at ten percent, more than double it's 2006 level. Though it has fallen steadily since late 2009, prior research has shown that working-age individuals who saw their *local* unemployment rates increase by more during the recession were less likely to be employed and had lower earnings as late as 2015 (Yagan, 2018).

But what about people who were not in their prime working years when the recession hit? Younger people might have changed the way they made about work and education, with potentially long-lasting consequences for their employment and earnings prospects. Some workers later in their careers may have had trouble recovering from job loss if their skills don't align with those required by available jobs, while others may have been forced to continue working rather than retiring.

In this paper, I estimate the effects of recession-related shocks to local economies on employment and earnings over the following decade for different generations of workers (i.e. Millennials, Generation X, etc.), who were at different stages of their careers at the onset of the recession.

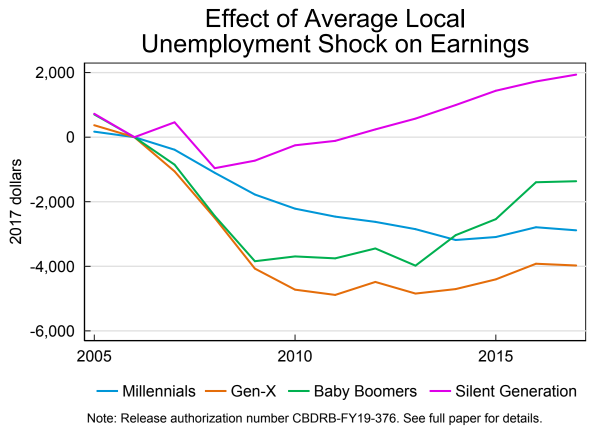
Increases in local unemployment rates reduced the likelihood of being employed for workers of all generations during the recession. Millennials



were most adversely affected initially; in 2010, a Millennial exposed to the average local unemployment increase (about 4.6 percentage points) was about 5.5 percentage points less likely to be employed. However, adverse employment effects diminished more quickly for Millennials than for other generations over the rest of the recovery. In 2017, Millennials who had been exposed to larger local unemployment increases during the recession were actually more likely to be employed than those exposed to smaller increases.

Millennials earnings have not recovered as quickly. In fact, they show little sign of recovering at all. In terms of annual earnings lost, the cost of exposure to increased local unemployment during the recession increased over time before stabilizing around $3,000. Gen-X ($4,000-$5,000) and the Baby Boomers ($3,500-$4,000) experienced larger earnings losses in dollar terms, but Millennials losses have been larger as a share of their average income. From 2007 through 2017, cumulative earnings lost by the average Millennial amount to 13 percent of actual earnings, compared to 9 percent and 7 percent for Generation X and the Baby Boomers, respectively. Baby Boomers' annual losses have also

*This brief summarizes "Did Timing Matter? Life Cycle Differences in Effects of Exposure to the Great Recession." For more details, including full methodology and references, see the full paper here. Any opinions and conclusions expressed herein are those of the author and do not necessarily reflect the views of the U.S. Census Bureau. All results have been reviewed to ensure that no confidential information is disclosed. The statistical summaries reported in this paper have been cleared by the Census Bureau's Disclosure Review Board, release authorization number CBDRB-FY19-376 and CBDRB-FY19-500.

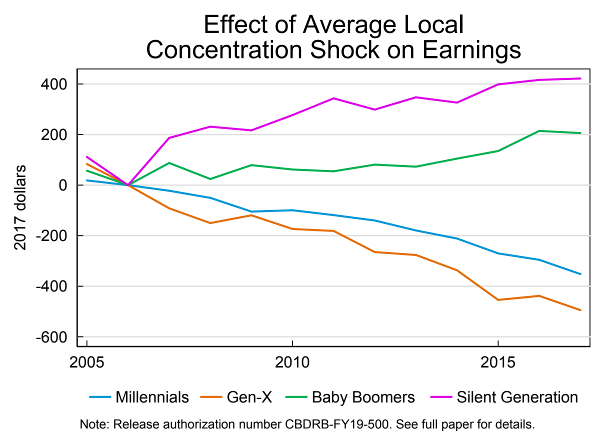


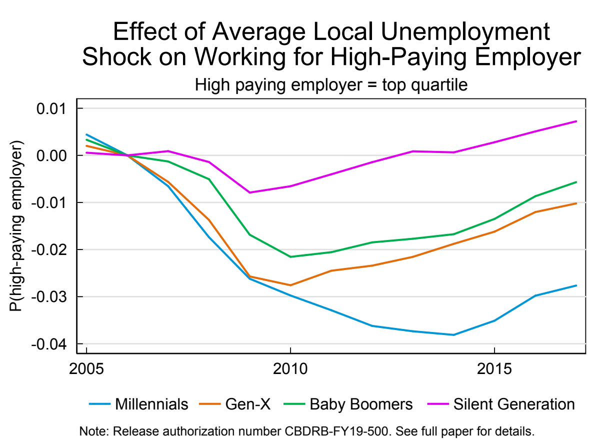
shrunk by 65 percent since 2010. Like Millennials, Gen-X has seen little earnings recovery.

Why haven't earnings recovered for younger workers, even as they are no longer less likely to be employed due to the recession? Exposure to increased local unemployment made younger workers (especially Millennials) persistently less likely to work for high-paying employers. While other generations saw the likelihood of working for such employers recover roughly proportionately to their likelihood of being employed at all, Millennials chances of landing good jobs continued to decline even as they returned to work. Millennials who faced larger local unemployment increases also appear to have completed less education. If the recession forced Millennials to leave school and take whatever job was available to get by, this could explain why their earnings have remained depressed even as their employment rates have recovered more than fully.

Increased unemployment was not the only change local labor markets experienced during the Great Recession; they also became more concentrated on average (Rinz, 2018). Concentration is one indicator of potential monopsony power, so these shocks could affect workers earnings as well. I find that increased local labor market concentration during the recession has reduced earnings for younger workers. This effect is substantially smaller than the effect of increased unemployment (less than one tenth the cumulative earnings cost since 2007), but the concentration increase was much smaller (about 3.5 percent of the pre-recession national mean on average, as opposed to more than 100 percent).

The effect of increased concentration has emerged more gradually, has increased in magnitude over time, and shows no sign of diminishing. In 2017, the average local concentration shock cost younger workers about \$350 to \$500. This suggests that changes to labor market structure during recessions could also have persistent, though more subtle, negative effects on earnings.





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