

Opportunity Rising

Increases in Human Capital Investment
and Declines in Disconnection Among
Teens and Young Adults in Los Angeles

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Los Angeles
Performance
Partnership
Pilot

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Introduction

Economic growth and personal and family prosperity in Los Angeles are closely connected to the degree of labor market engagement of the region's working-age population and success in finding employment among those who engage in the labor market. Both the likelihood of engaging in the region's labor market and the chance of success in the labor market are closely connected to the human capital investments made by individuals, families, and employers as well as taxpayers who invest in human capital through a variety of publicly-financed education and workforce development activities.

This is the final paper in a series of four that examine human capital investment activities in the form of employment and education among teens and young adults in Los Angeles. The results of this study are encouraging as a growing fraction of teens and young adult residents of the region are opting to engage in human capital development activities, reducing the share of young people who simply remain idle; that is, remain disengaged from work and school that could develop their productive ability and sharply improve their chances of current and future labor market success.

The proportion of resident teens and young adults disconnected from work and school has declined from 20 percent to 16 percent in recent years; an important and positive trend representing improved life and career opportunities for a greater share of young people in the city and region. This improvement in the engagement of young people in human capital development is of great importance. The economic gains to human capital have increased considerable as the industrial and occupational structure of employment has changed in the regional labor market over time.

It is important to note that labor market conditions themselves exert an important influence on the choices available to young people as developments in the jobs market can both create as well as limit both education and employment alternatives. Teens and young adults are especially vulnerable to economic and labor market turbulence as they are often at the bottom of the jobs queue, the last hired and the first fired. Turbulent is certainly an apt description of the economic and labor market conditions that have characterized the Los Angeles and California labor market since the end of what economists sometimes refer to as the Great Moderation of the 1980 to 2000 period. This was a time period of strong economic growth, extraordinary rates of

new job creation and rising living standards that was supplanted by a new economic age of business cycle instability, weak economic growth and near continuous excess labor supply despite slow labor force growth over the last 15 years.

In the first part of this final paper we examine some of the most important labor market developments in the Los Angeles area that provides a proper context of labor demand and supply for this study of teens and young adults in the region. Following this discussion we provide an overview of how teens and young adults have adjusted to this new economic context in various ways and how such an adjustment, despite a weak labor market context, has improved the engagement of teens and young adults in their human capital development.

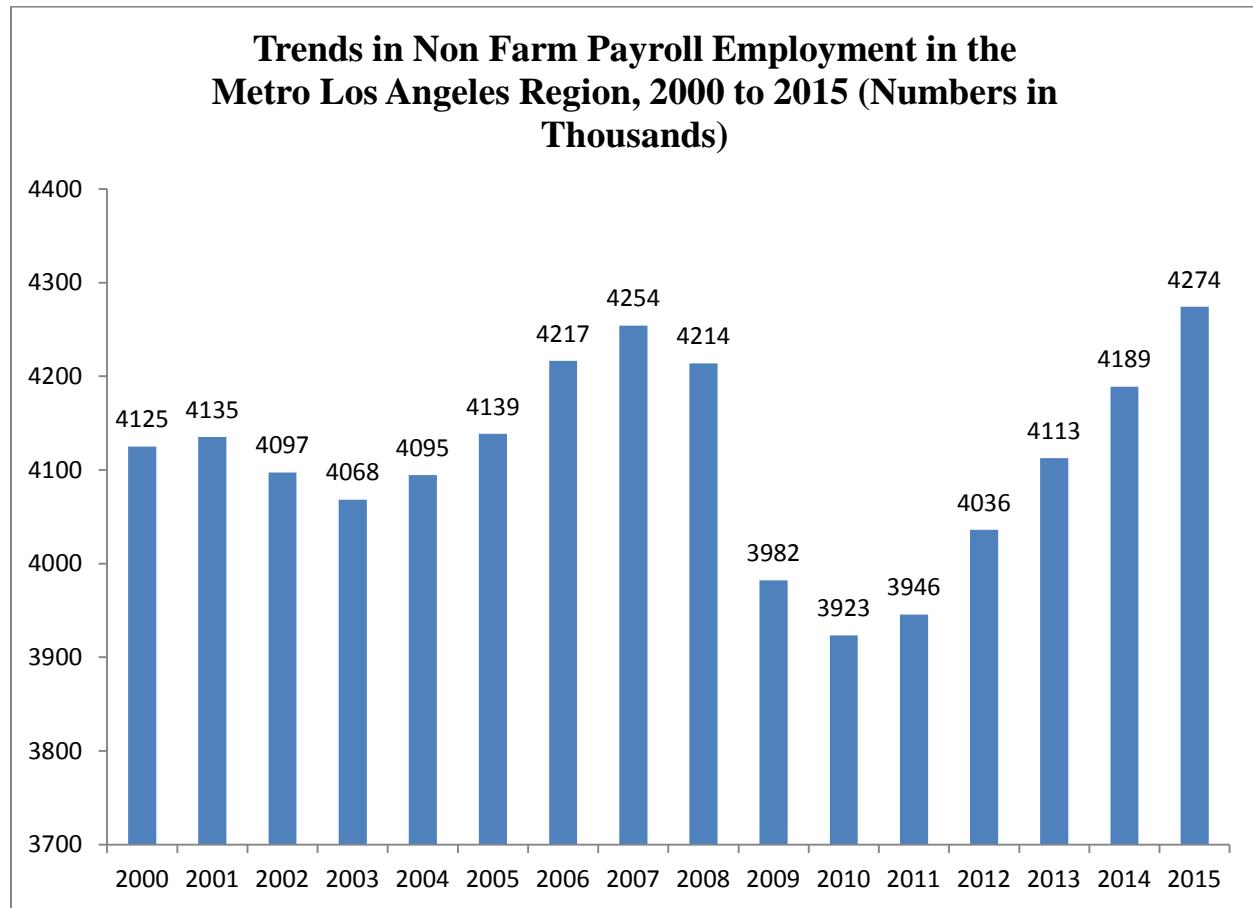
Demand for Workers in Metro Los Angeles

Job growth in the Los Angeles region over the past 15 years had been characterized by two economic downturns that were followed by weak post-recession recoveries. Non-farm payroll employment levels between 2000 and 2015 increased from 4.125 million to 4.274 million, a rise of about 150,000 jobs. This means that employment opportunities in the LA Metro area grew at an anemic annual average rate of just 0.2 percent per year. The slow pace of new job creation in the region was the product of the dot.com recession during 2001-2003 and the Great Recession during 2007-2010.

Annual average employment in Los Angeles fell by about 57,000 jobs from 4.125 million during 2001 to 4.068 million by 2003. The regional job market recovered with employment rising to 4.254 million jobs on average by 2008, an increase of 186,000 payroll jobs over the four-year recovery period. However, the recession of 2007 to 2010 saw employment levels drop by 331,000 jobs wiping out twice as many jobs as were created during the recovery from the dot.com recession. The national and regional jobs recovery since 2010 has been slow. Payroll employment in the region did not return to its pre-recession peak until 2015 and currently stands at just 20,000 jobs above its 2007 peak.

The pace of recovery has been slow relative to the period of employment decline. The Los Angeles region posted continuous job losses between December 2007 and March 2010, a 27 month period of employment decline. After this period, the region's employment growth rebounded more slowly. Indeed, the region's employment level did not return to its pre-recession

peak until October 2015, more than five and one half years after the end of the jobs recession. This slow pace of recovery has had a number of adverse impacts on the region's job market including declining labor force participation and substantial and continuous labor supply underutilization problems.



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics Survey, annual averages, 2000 to 2015.

The anemic pace of new job creation in the region meant that the problem of labor market underutilization increased markedly over the period. However the impact of economic dislocations that occurred in the Metro LA area over the last 15 years varied sharply across industries. Trends in the non-farm payroll employment levels by major industry group presented in Table 1 reveal large changes in the industrial composition of employment within the LA region over the 15 years. The data reveal that over the past 15 years the industrial composition of employment has changed sharply with large declines in the region's goods producing industries and substantial and sometimes very large gains in the service producing industries. These long-

term structural changes in employment have wide-ranging and powerful impacts on the occupational and educational requirements in the labor market as the mix of abilities, knowledge, social behaviors and character traits desired by employers vary widely by industry.

Job losses in the last fifteen years in the greater Los Angeles area were very heavily concentrated in the region's manufacturing sector. Manufacturing employers cut their payroll

Table 1:
Trends in Non-Farm Payroll Employment in the Metropolitan Los Angeles Region, by Major Industry Sector, 2000 to 2015 (Numbers in Thousands)

	2000	2015	Absolute Change	Relative Change
Total	4,125.0	4,274.2	149.2	4%
Construction	131.8	126.1	-5.7	-4%
Manufacturing	615.2	360.8	-254.4	-41%
Wholesale Trade	217.7	227.0	9.3	4%
Retail Trade	392.5	420.5	28.0	7%
Transportation and Utilities	174.8	170.4	-4.4	-3%
Information	244.3	202.7	-41.6	-17%
Finance Services	223.4	214.2	-9.2	-4%
Professional, Scientific and Technical Services	228.7	277.0	48.3	21%
Management of Companies	85.6	58.6	-27.0	-32%
Administrative Support and Waste Management	276.4	264.7	-11.7	-4%
Educational Services	86.3	120.0	33.7	39%
Ambulatory Care Health Services	131.4	202.4	71.0	54%
Hospitals	98.9	114.0	15.1	15%
Nursing and Residential Care Facilities	58.1	80.8	22.7	39%
Social Assistance	90.2	225.0	134.8	149%
Arts, Entertainment and Recreation	62.6	83.3	20.7	33%
Accommodation and Food Services	282.4	404.9	122.5	43%
Other Services	140.2	151.7	11.5	8%
Government	581.4	566.4	-15.0	-3%

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics Survey, and annual averages, 2000 and 2015.

employment levels from 615,000 jobs during 2000 to 361,000 by 2015 a loss of 254,000 jobs representing a 41 percent plunge in jobs over the period. Among durable goods manufacturers losses were especially large among transportation equipment producers (including airline

producers), computer and electronic equipment manufacturers and metal fabrication and machining firms. Among non-durable goods manufacturers apparel firms saw payroll employment levels drop by more than one-half over the last fifteen years.

Manufacturing industries have had a history of developing internal labor markets and pathways within their organizations that develop the occupational proficiencies of employees. Manufacturers invest in the human capital of their workers primarily through formal (apprenticeship) and informal on-the-job training. Manufacturing in the past provided non-college bound teens and young adults with human capital building work experiences that bolstered their long-term employment and earnings experiences. Large and permanent losses in manufacturing employment has meant that teens and young adults have greatly diminished access to this human capital building activity in the Los Angeles area. By 2013-2015 few teens and young adults worked in the regions manufacturing industries.¹

The losses in manufacturing employment in the region have been more than offset by increases in elements of the area's services sector, especially health services, social assistance and leisure and hospitality services. Employment in the health services industry increased by just over 108,000 jobs between 2000 and 2015, representing an increase of about 38 percent over the fifteen-year period. Somewhat surprisingly, hospitals were not a very large contributor this is increase in healthcare sector jobs, adding just 15,000 jobs over that period of time; growing by just 1 percent per year.

Ambulatory care providers who provide outpatient health services added 71,000 jobs yielding a very rapid growth rate of 3.6 percent per year. These organizations are largely composed of firms that are intensive employers of professional and technical staff with post-secondary credentials especially in health diagnostic and treatment activities. The single exception to this staffing structure is firms engaged in home health care service. Home health agencies often employ workers with fewer years of schooling and who have little or no medical/health training as home health aides and personal care aides. Home health care industry employment levels have more than doubled since 2000 in the metropolitan Los Angeles region.

¹ Neeta Fogg and Paul Harrington, *Experience Required: The Diminished Employment Prospects of Teens and Young Adults in Los Angeles*, Center for Labor Markets and Policy, Drexel University, August 2016

Nursing home and residential care facilities have also posted substantial employment gains in the Los Angeles area adding 22,000 jobs since 2000 and growing by about 39 percent. Unlike much of the rest of the nation, employment gains in this component of the health care industry in Los Angeles are heavily concentrated in skilled nursing facilities; in other states and metropolitan regions residential care facilities, that include assisted and independent living facilities for the elderly, are not adding many jobs. Teen access to employment in this industry is quite limited although young adults with post-secondary degrees and certificates in the health fields have ready access to jobs in this high demand field.²

The social assistance industry has served as the single largest source of net employment gains in the Los Angeles metro area since 2000. Social assistance organizations saw their employment levels rise at an extraordinary pace over the last fifteen years. Payroll employment in this sector rose from 90,000 during 2000 to 225,000 by 2015, yielding a stunning growth rate of 10 percent per year over the period. Much of this growth is in employment in social services to the elderly and individuals with disabilities and includes large numbers of direct care workers including, social worker assistants, personal care aides and home health aides. The social behavioral requirements for employment in many of these occupations are quite high as these direct care workers try to serve persons with a range of physical, cognitive and behavioral limitations.³ Again, teens and young adults with no post-secondary schooling are very unlikely to be employed in this industry, in part because of the high levels of social interaction skills required for employment in these positions.

The arts, entertainment and recreation industry, along with the related accommodation and food services industries have both experienced strong employment growth in the Metro LA region since 2000. The arts and entertainment industry added more than 20,000 jobs growing by one-third between 2000 and 2015. The accommodation and food services industry saw its payroll employment levels rise from 282,000 during 2000 up to 405,000 by 2015, a 43 percent rise over the 15-year period. Both of these industries are important sources of employment for teens and young adults although the share of teen employees in these industries has fallen markedly over

² *Ibid*

³ Commonwealth Corporation and Center for Labor Markets and Policy, Drexel University, *Special Topics Report: Selected Health Care Support and Direct Care Occupations in Massachusetts*, Office of the State Auditor, Commonwealth of Massachusetts, Boston, forthcoming.

time. However, growth in this sector has resulted in a shift of staffing demand towards young adults aged 20 to 24.

Occupational Change

Sharp changes in the industrial structure of employment in the Metro LA region exerted a powerful impact on the nature of demand for workers across occupations. Findings provided in Table 2 examine employment trends by major occupational groups in the metro LA job market between 2000 and 2015. These data are derived from the Occupational Employment Statistics (OES) Survey program that measures employment (and wages) by occupation through a large scale survey of business establishments across the region, state and nation.

As the industry structure of employment has changed in Metro LA the kinds of occupations that are in demand changed as well. It is not difficult to imagine the occupational impact of a major shift of employment from manufacturing industries to the wide-ranging service producing sector including professional, scientific consulting and health care, as well as social services, and eating and drinking establishments that has occurred in the region over the last 15 years. Most readers are likely to anticipate a shift in employment from blue-collar trades, production and transportation occupations into college labor market health professions and technicians, but also into many non-college level service occupations.

A look at the findings in Table 2 confirms that suspicion in the LA labor market. Between 2000 and 2015 employment levels in the region's installation and repair (skilled blue-collar) production occupations and transportation and material moving occupation together saw their employment levels fall by a combined 267,000 jobs, an average decline across these occupations of 28 percent over the period. Growth in selected service industries accelerated the demand for workers in the region's college labor market occupations with an increase of 169,000 jobs with especially strong growth in business and financial operations positions, community and social service occupations and arts, design sports and media occupations. However, growth in other parts of the service sector also accelerated demand for workers in food preparation and personal care occupations. Employment in these low wage-low skill occupations have increased by combined 223,000 jobs since 2000.

These findings reveal that the occupational structure of employment in the LA region is twisting away from blue-collar (and clerical positions) that formed the basis of providing the region's traditional middle class with work that was more likely to be full-time, year-round and

Table 2:
Trends in Non-Farm Payroll Employment in the Metropolitan Los Angeles Region, by Major Occupational Group, 2000 to 2015

Major Occupational Group	2000	2015	Absolute Change	Relative Change
Management Occupations	243,650	228,880	-14,770	-6%
Business and Financial Operations Occupations	157,070	226,410	69,340	44%
Computer and Mathematical Occupations	84,050	97,010	12,960	15%
Architecture and Engineering Occupations	75,250	67,380	-7,870	-10%
Life, Physical, and Social Science Occupations	30,560	33,890	3,330	11%
Community and Social Services Occupations	50,380	66,310	15,930	32%
Legal Occupations	35,320	37,390	2,070	6%
Education, Training, and Library Occupations	219,240	246,030	26,790	12%
Arts, Design, Entertainment, Sports, and Media Occupations	104,670	147,440	42,770	41%
Healthcare Practitioners and Technical Occupations	183,460	202,680	19,220	10%
Healthcare Support Occupations	76,780	96,680	19,900	26%
Protective Service Occupations	122,190	113,670	-8,520	-7%
Food Preparation and Serving Related Occupations	211,920	385,250	173,330	82%
Building and Grounds Cleaning and Maintenance Occupations	118,890	105,820	-13,070	-11%
Personal Care and Service Occupations	69,800	119,400	49,600	71%
Sales and Related Occupations	379,540	424,650	45,110	12%
Office and Administrative Support Occupations	825,210	714,700	-110,510	-13%
Farming, Fishing, and Forestry Occupations	4,110	3,190	-920	-22%
Construction and Extraction Occupations	128,600	100,580	-28,020	-22%
Installation, Maintenance, and Repair Occupations	140,850	123,030	-17,820	-13%
Production Occupations	463,310	267,010	-196,300	-42%
Transportation and Material Moving Occupations	350,020	296,210	-53,810	-15%

Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics Survey Program, 2000 and 2015.

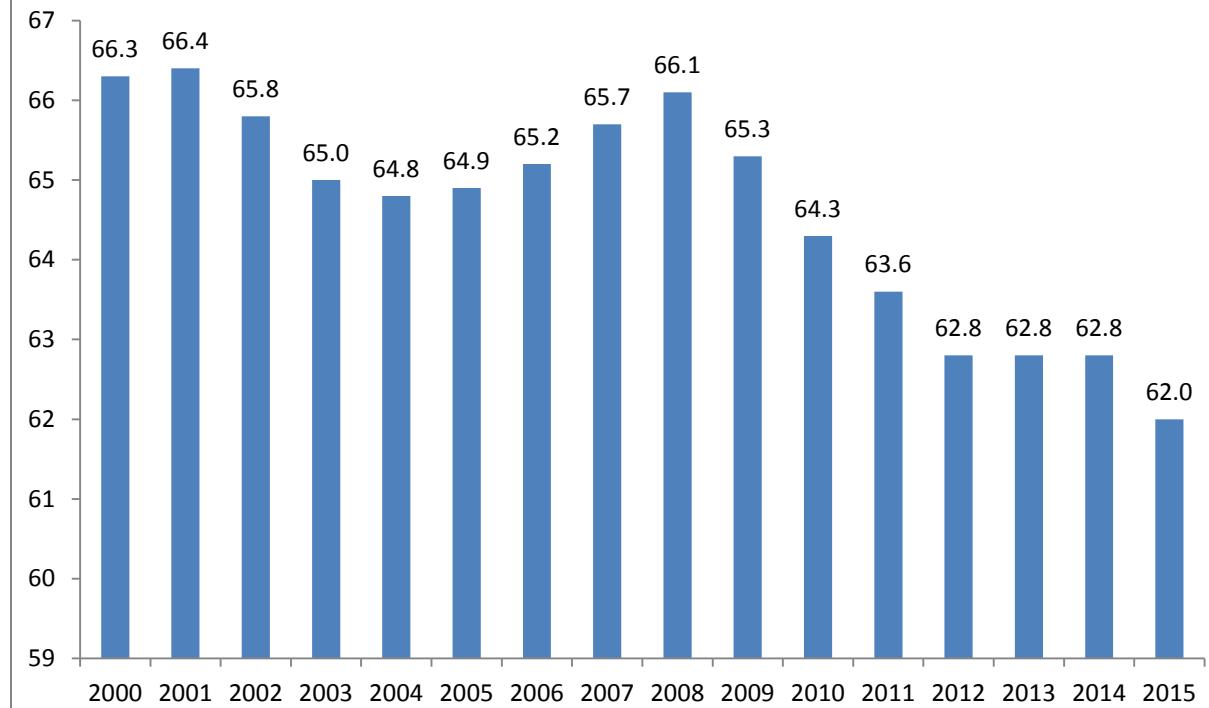
characterized by better chances for on-the-job training that is associated with upward occupational mobility. Instead, employment growth is concentrated in high-wage college labor market occupations that require post-secondary credentials, and in low wage-lower skill service jobs. The combination of the, at best, tepid job creation over the last fifteen years, combined with major changes in the job content of the regional economy have resulted in a change in the labor

market behavior among working-age adults in the region and a chronic excess labor supply problem that places teens and young adults at a great disadvantage.

The proportion of resident working-age adults who are active in the regional labor market has declined sharply since 2000. The labor force participation rate is a measure of the engagement of working-age individuals (those aged 16 and over) in the labor market, either by being employed or by actively seeking a job and being available to work right away. The overall labor force participation rate (LFPR) is simply calculated by dividing the number of persons who are actively engaged in the labor market at a point in time (the employed and unemployed) by the total size of the resident working-age population of an area.

During 2000-2001 the region's LFPR averaged about 66 percent dipping to 65 percent after the dot.com recession, but by 2008 the labor force attachment in the region had once again returned to 66 percent. Since then, labor force participation has declined considerably in Los Angeles falling to 62 percent in 2015. Part of this decline is the result of reductions in labor

Trends in the Labor Force Participation Rate of the Civilian Resident Working-Age Population of Los Angeles County, 2000 to 2015

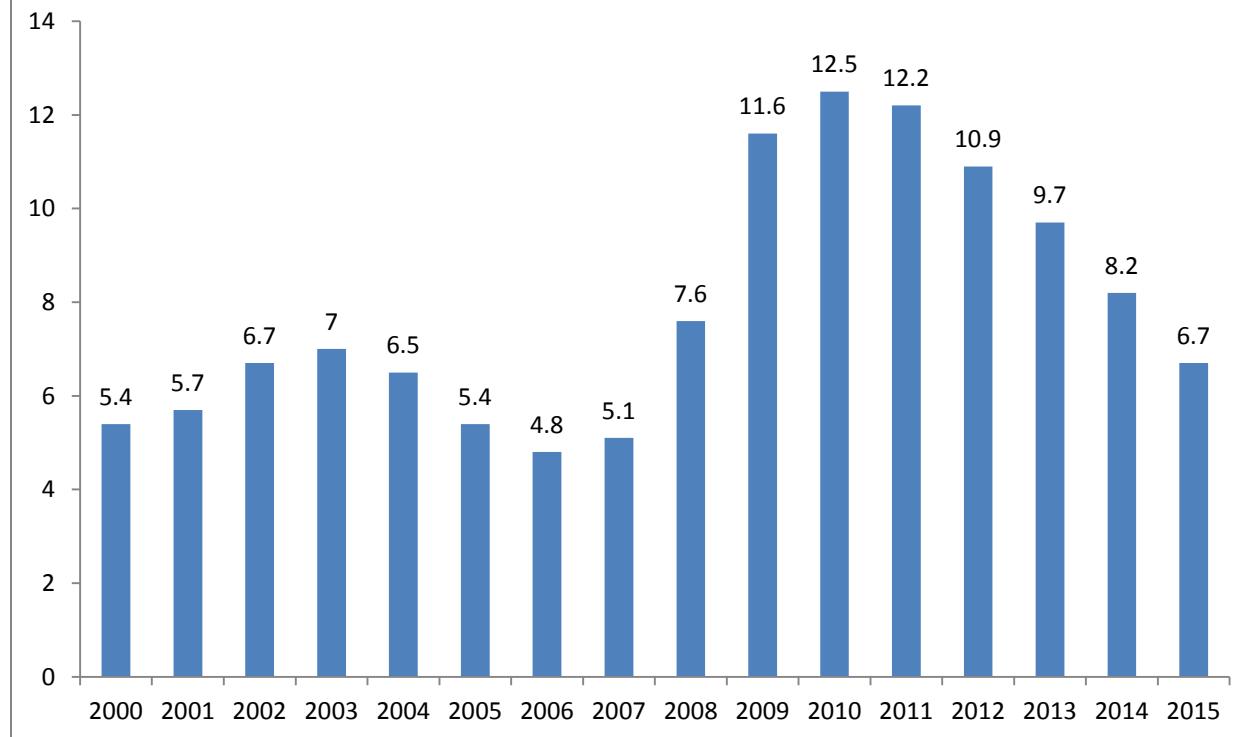


Source: U.S. Bureau of Labor Statistics, *Geographic Profiles of Employment and Unemployment*, various years.

market participation among persons under the age of 55, and especially among teens and young adults. An aging population also contributed to the decline in the overall labor force participation rate. As baby boomers enter into pre-retirement (55-64) and retirement (65+) age groups, where job market attachment is traditionally below average, the overall LFPR in the region is pushed down.

One might suspect that a declining labor force participation rate potentially means less competition in the labor market and would result in reduced unemployment rates, but this is not the case. Instead, declining labor force attachment is one of many outcomes associated with weak job creation over an extended period of time. The problem of excess labor supply persisted in the LA region through 2015. Even though the official unemployment rate fell almost in half from its 2010 peak of 12.5 percent, the current regional unemployment rate of 6.7 percent

Trends in the Unemployment Rate of the Civilian Resident Labor Force Participants in Los Angeles County, 2000 to 2015



Source: U.S. Bureau of Labor Statistics, *Geographic Profiles of Employment and Unemployment*, various years.

remains at economic recession levels when compared to historical measures of joblessness in the region. If we also consider persons who are ‘marginally’ attached to the labor force as well as the ‘underemployed’ then the measure of excess labor supply in the region would average about 14 percent.

Adjusting to the New Labor Market Environment

The developments that we have observed with respect to: the slow pace of new job creation, the changing job content of employment, and the continuing problem of excess labor supply, send important signals to teens and young adults about school, work and other very important life decisions. Young people have essentially a number of options open to them with regard to developing their productive abilities through human capital.

We summarize these options into four categories and examine how choices about these options have changed over time. These four categories include:

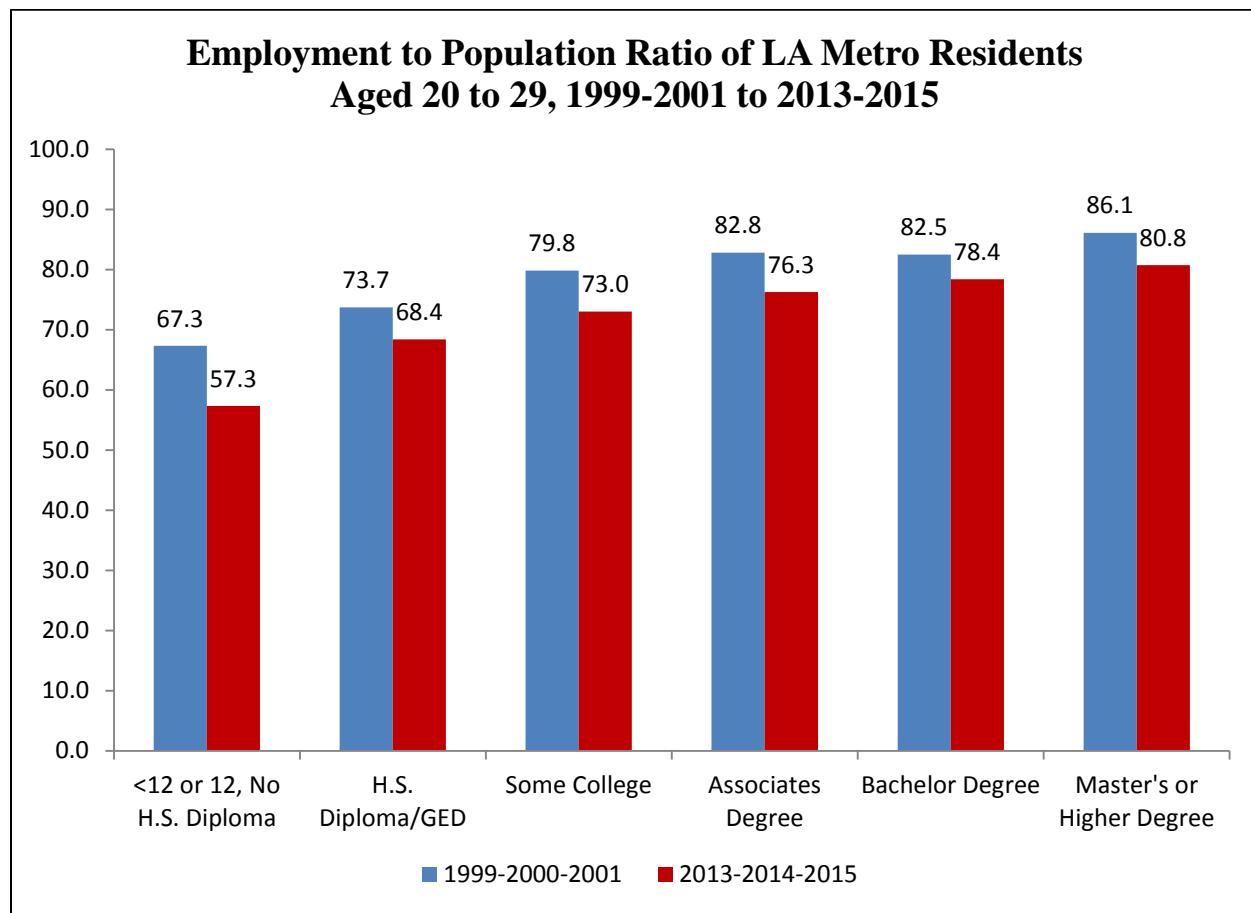
- Working only, but not enrolled in school
- Staying enrolled in high school or enrolled in a post-secondary program (at the certificate, associate’s or bachelor’s degree level), but not working.
- Mixing work and school at both the high school and post-secondary level.
- Not working and not in school; disconnected youth

The choices that young residents of Los Angeles will make will in part depend upon their understanding of the options that are available to them and their ability to effectively engage in undertaking these options. The economic and resultant labor market changes that have occurred in the Los Angeles area have altered the structure of opportunity available to young people. Slow employment growth has sharply reduced the employment prospects of young people in the region. The excess labor supply characteristics of the area mean that employers can readily hire adults in industries and occupations where teen and young adult employment was more prevalent.

The changing industry and occupational structure of employment has resulted in a large and rising gap in the employment and earnings prospects of persons with greater academic accomplishment. The chart below examines trends in the employment to population ratio (E/P ratio) of young adult residents in the LA region over the last 15 years by their level of

educational attainment. We excluded persons who are enrolled in school so that we can get a better idea of the chances of employment among LA area residents whose primary life activity might reasonably be expected to be employment.

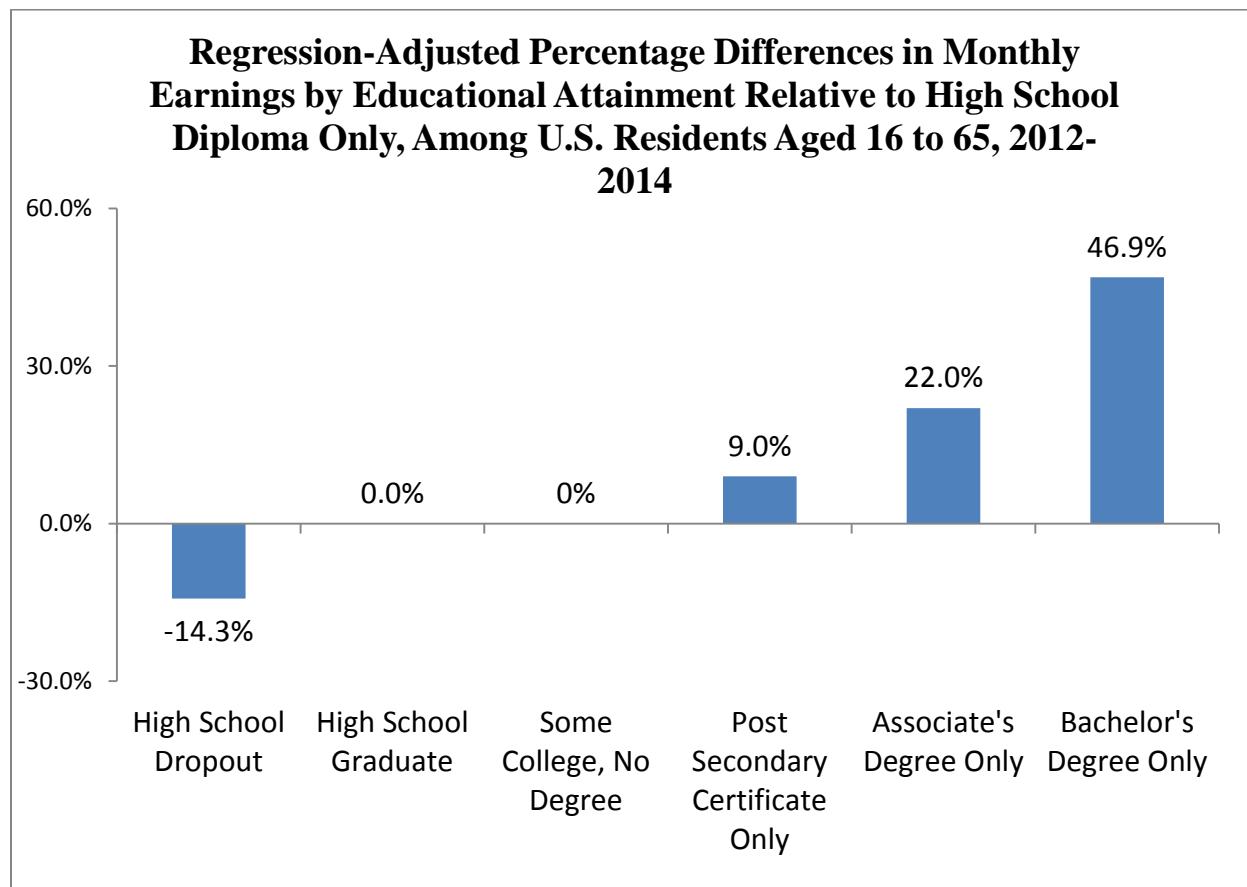
By 2015, just 57 percent of high school dropouts (not a high school graduate and not enrolled in school) had a job, down from 67 percent in 2000. As the level of educational attainment increases, the chances of employment increases substantially. The E/P ratio among individuals with a college degree was between 75 and 80 percent, while those without a college degree had lower E/P ratios. Although the E/P ratio declined over the fifteen year period at every level of educational attainment, the losses were relatively more modest among those who had earned a college degree.



Source: U. S. Bureau of the Census, Current Population Survey, Public Use Microdata Sample, various years, tabulations by the Center for Labor Markets and Policy, Drexel University, Philadelphia.

The earnings pay-offs to post-secondary education are quite large. We recently analyzed findings from the PIAAC Survey of Adult Skills that was administered across the U.S. to examine the factors that influence labor market success in the U.S.⁴ Our study examined the impact of educational attainment, after accounting for a variety of demographic traits, literacy and numeracy characteristics, geographic differences and work experience during 2012-2014 on the monthly earnings of a large cross section of persons aged 16 to 65.

The data reveal that persons who have earned any kind of post-secondary degree or certificate have monthly earnings that are above those of their counterparts with just a high school diploma. Persons with a just bachelor's degree had earnings that were on average 47



Source: Neeta Fogg, Paul Harrington and Ishwar Khatiwada, *The Impact of Human Capital Investments on the Earnings of Americans*, Educational Testing Service, Princeton NJ, Forthcoming 2017.

⁴ The Programme for International Assessment of Adult Competencies an initiative of the Organization for Economic Cooperation and Development conducted the Survey of Adult Skills in over 40 countries between 2012 and 2014 to measure cognitive and other human capital related proficiencies of residents of these nations. See <http://www.oecd.org/skills/piaac/aboutpiaac.htm>

percent greater than the earnings of high school graduates with no schooling. The earnings pay-offs to an associate's degree was also quite large. Persons who had earned just an associate's degree had monthly earnings that were 22 percent greater, on average than that of their counterparts with just a high school diploma.

One of the unique features of the PIAAC survey is that its questionnaire was designed to distinguish between people who enrolled in post-secondary program but never completed a course of study and those who enrolled and subsequently earned a non-degree certificate. Most surveys that measure the level of educational attainment of a population simply lump college dropouts and those who earned a non-degree certificate together into a single category of 'some college, no degree,' that contains large numbers of people, but who, it turns out have different labor market experiences if they earned a certificate. Distinguishing between these two groups is especially relevant in LA where a substantial number of awards granted by two-year colleges are non-degree certificates.

Our analysis revealed that earning a post-secondary certificate at the undergraduate level has substantial and statistically significant earnings advantages compared to a high school graduate. We found that relatively short-term certificate programs raised the monthly earnings of employed persons by 9 percent per month compared to high school graduates, holding other factors constant. In contrast, we detected no earnings advantage to enrolling in college, but not completing a degree or certificate program. Dropping out of college yields no earnings benefits compared to a high school diploma. Earnings pay-offs to college only come from completing a course of study.

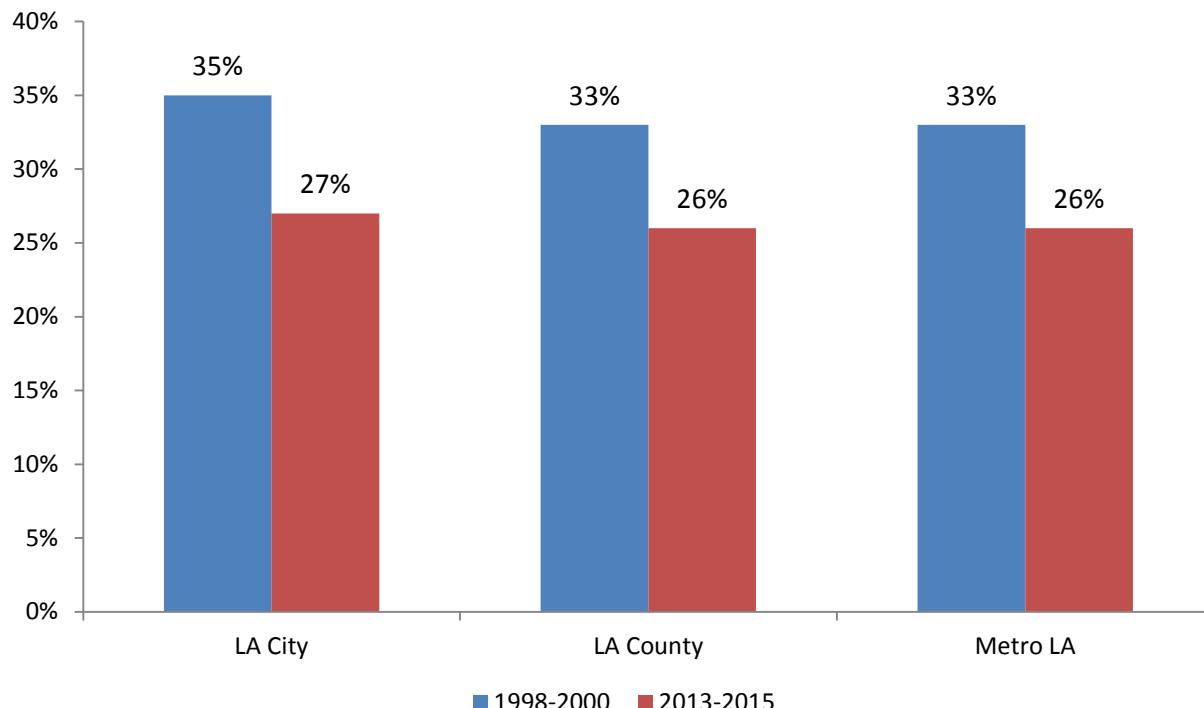
The findings on diminished employment rates for non-enrolled young adults with no college degrees and large and statistically significant advantages in earnings associated with post-secondary certificate and degree awards sends a clear signal to young people about the gains to enrolling and completing college. As we documented in our earlier paper, post-secondary enrollments in Los Angeles have increased very rapidly over the last fifteen years. But the 'pull' of labor market advantages is also accompanied by the 'push' of diminished job prospects associated with a very slow pace of job creation combined with a shift in the industry and occupational structure of employment in the region that has caused massive losses in blue-collar work in manufacturing industries that provided better access to full-time year round jobs.

Choices about Human Capital Development

How did teens and young adults adjust to the new employment landscape of the Los Angeles region? The answer is that they have adjusted in an increasingly positive way, even as poor economic conditions have prevailed in the local labor market.

Work only is an important way to develop human capital, but the employment options for teens and young adults in Los Angeles have declined sharply over the past fifteen years. The share of the City's 16-24 year old out-of-school resident population that is employed fell from 35 percent during 2000 to 27 percent by 2015, a relative decline in the out-of-school teen and young adult E/P ratio of 23 percent. Similarly large declines in employment rates of working-age out of school teens and young adults occurred in LA County and in the Metro LA region.

Trends in the Share of the 16-24 Year Old Resident Population, Employed, but not Enrolled in School in LA City, LA County and Metro LA



Source: U. S. Bureau of the Census, Current Population Survey, Public Use Microdata Sample, various years, tabulations by the Center for Labor Markets and Policy, Drexel University, Philadelphia.

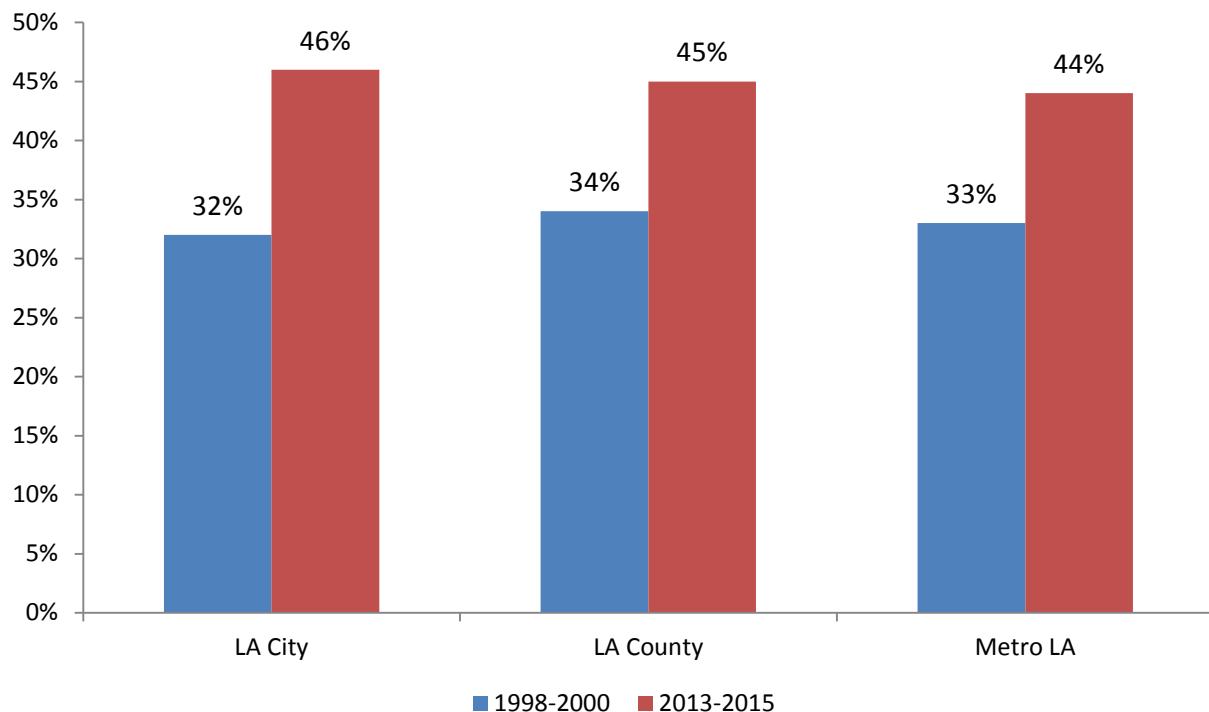
As we explain in our first monograph in this series *Experienced Required: The Diminished Employment Prospects of Teens and Young Adults in Los Angeles*, this decline is largely the product of diminished employment options for young people in the region. We found that the desire to work among young people in the region had not changed much over time; instead slow job growth and changing employer preferences for adult workers from a ready supply of adults in a weak labor market push young people, especially those with fewer years of schooling, beyond reach of the hiring queue.

Work experience is an important way for young people to develop human capital proficiencies desired by employers. Early work experience helps young people develop labor market savvy—how to search for a job and keep a job. It can help develop a better understanding of the role that academic and occupational skills play in life success. Work experience can also help develop the behavioral traits and social-persuasive skills (together sometimes called soft skills) that are highly valued by employers.

The development of literacy and numeracy abilities is closely associated with schooling particularly at the elementary and secondary level. However, as young people advance in the educational system there is an increasing focus on developing an expertise in one or more fields of knowledge, a set of systematically organized facts that apply to a particular field. The fields of knowledge that young people can explore is quite extensive ranging from building and construction to fine arts to engineering and technology or physical sciences, to name just a few. The gains in the labor market to development of both academic ability and knowledge in specific fields are quite substantial and can yield very high returns to schooling investments.

The changing structure of labor demand in the region, diminished employment prospects especially for teens and a strong effort by local officials to increase high school graduation rates, post-secondary enrollment rates and college retention have combined to sharply increase the proportion of young people in school. The share of 16- to 24-year old residents enrolled in school in Los Angeles increased from 32 percent during 2000 to 46 percent by 2015, similarly large increases in school enrollment rates also occurred in LA County and the Metro LA region.

Trends in the Share of the 16-24 Year Old Resident Population, Enrolled in School, but Not Working, Los Angeles City, Los Angeles County and Metro LA

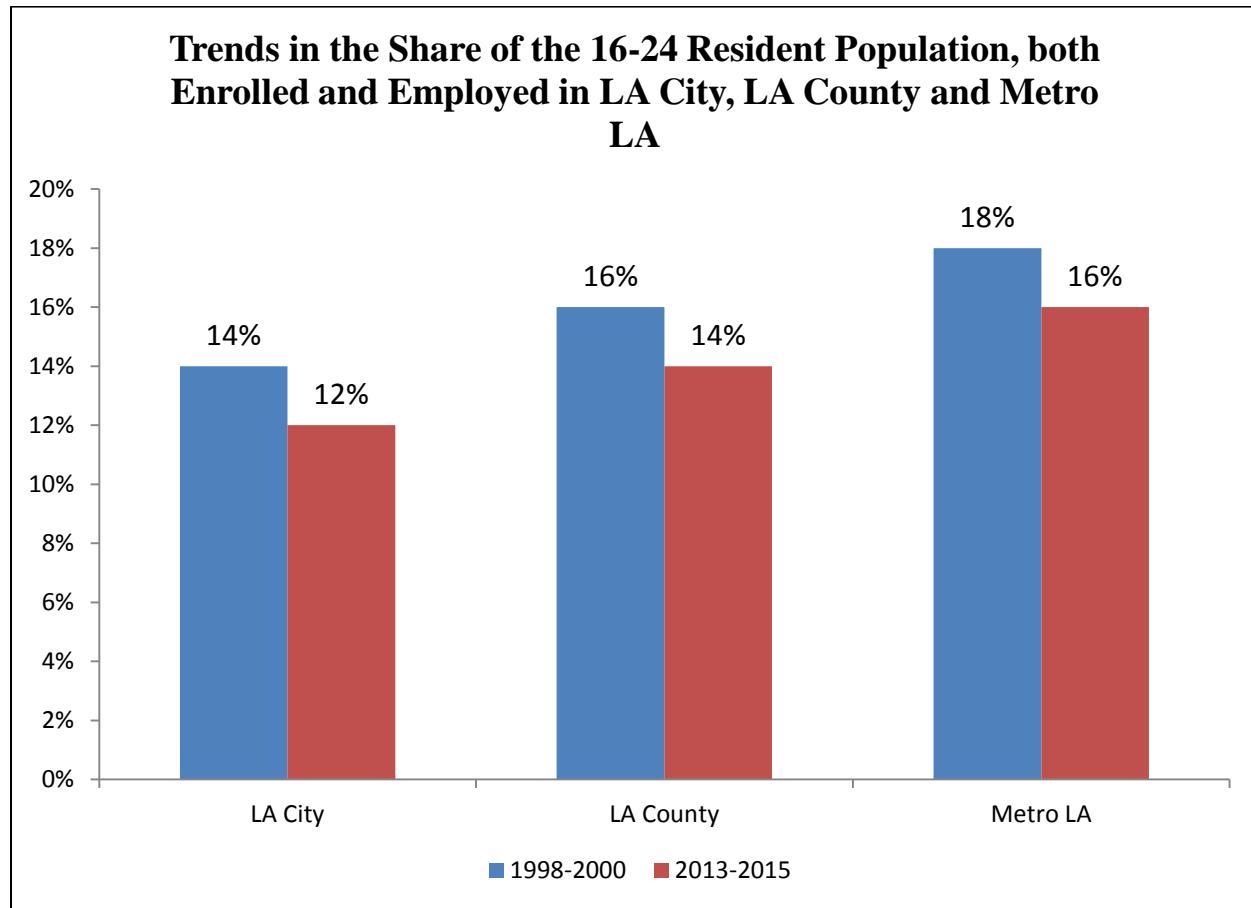


Source: U. S. Bureau of the Census, Current Population Survey, Public Use Microdata Sample, various years, tabulations by the Center for Labor Markets and Policy, Drexel University, Philadelphia.

As we observed in our second paper *Rising School Enrollment among Teens and Young Adults in Los Angeles*, the rise in school enrollment rates has resulted in a substantial increase in the share of young persons with some post-secondary education, with much of the gain coming from a dramatic increase in public two-year college enrollments. The increase in two-year college enrollments is of concern since the community college cohort graduation rate in the U.S. has been declining for some time. This is of considerable concern given, as we discussed above, that exiting the post-secondary system without a certificate or degree award yields no earnings advantages. However, two-year certificate and degree granting institutions in LA County have sharply bolstered their completion rates—that now are about 50 percent higher than the U.S. average completion rate at the two-year level.

While the share of young people who are enrolled but not working has increased, the same labor market conditions that pushed down out-of-school teen and young adult employment

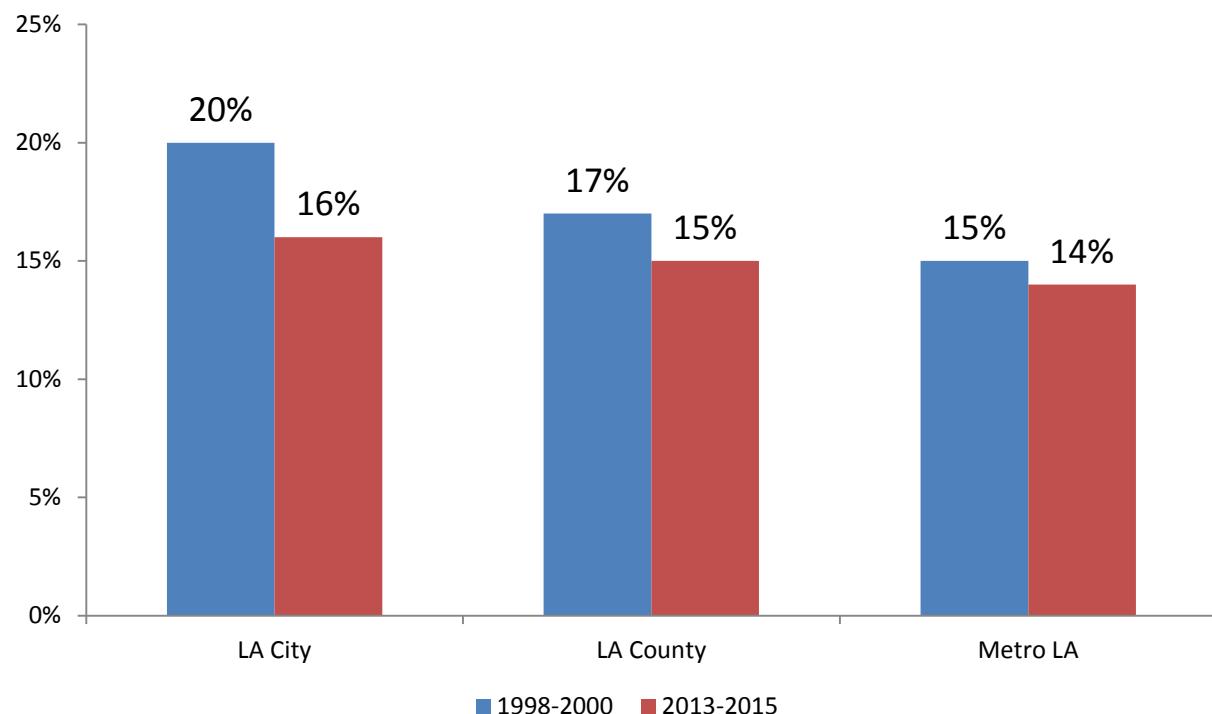
levels also reduced the share of 16- to 24-year olds who mix work and school. By 2015 the proportion of young LA City residents who were both working and going to school had fallen from an already low 14 percent in 2000 to 12 percent by 2015. Similar declines in the share of young people mixing work and school also occurred in LA County and Metro LA.



Source: U. S. Bureau of the Census, Current Population Survey, Public Use Microdata Sample, various years, tabulations by the Center for Labor Markets and Policy, Drexel University, Philadelphia.

The fourth option open to working-age teens and young adults is not to engage in developing their human capital proficiencies at all. This option disconnects teens and young adults from work and school. During 2000 one in five teens and young adults in LA City chose this alternative, but in the years following, the share of the City's teen and young adults disconnected from both school and work fell from 20 percent to 16 percent, a substantial decline of 20 percent over the time period. More modest declines were found for LA County and Metro LA.

Trends in the Share of the 16-24 Year Old Resident Population that are Disconnected from Both School and Work, LA City, LA County and Metro LA



Source: U. S. Bureau of the Census, Current Population Survey, Public Use Microdata Sample, various years, tabulations by the Center for Labor Markets and Policy, Drexel University, Philadelphia.

Success in reducing disconnection rates among young people is important since the size of human capital deficits between connected and disconnected teens and young adults are enormous. Our third paper in this series *The Human Capital Investment Gap: Understanding the Diminished Prospects for Disconnected Youth in Los Angeles* discusses some of the advantages that human capital development brings to those who make these investments in themselves through both school enrollment and completion and through work experience that places most young people in an adult context for the first time in their lives. A context where adolescents begin to learn about interacting with adults and are expected to accept responsibilities, no matter how simple, such as simply showing up reliably for work as an adult is expected to do.

Disconnected young people have very large work experience deficits and much lower levels of educational attainment relative to their connected counterparts. The size of these deficits mean that the life possibilities for disconnected youth will be profoundly reduced

compared to their connected counterparts. Disconnection from work and school is associated with reduced academic abilities, loss of access to occupational knowledge development, diminished social-persuasive proficiencies and deficits in basic behaviors required by employers.

Summary and Conclusions

The gains in school enrollment that occurred in LA at both the secondary and post-secondary level have been essential to achieving the reduction of the City's disconnection rate that became a basic focus of Los Angeles's youth policies in the early 2000s. The gains achieved are substantial and resulted in improved opportunities for thousands of young residents of the City. Continuing to expand educational opportunity through effective high school retention strategies is important. A high school diploma is a fundamental building block for success in Los Angeles, California, and the nation as a whole. LA County's two-year post-secondary education programs have had continuing success in raising certificate and degree completion rates for their entering freshman. Expanding these efforts, especially through bolstering certificate programs and integrating these certificates into an associate's degree program is a sensible strategy for the area's two-year public institutions. Strong links with local employers who can help better develop curricula and facilities also makes sense and such relationships can often lead to very positive employment outcomes for program graduates.

Recent improvements in the rate of new job creation in the region provides a renewed opportunity to bolster the chances of employment for teens and young adults, while still maintaining and even expanding post-secondary enrollment rates. The success that Los Angeles has had in increasing high school graduation rates and improved post-secondary enrollment and completion rates are laudable and should continue with renewed vigor.

Recent gains in the Los Angeles regional labor market present an opportunity to reverse the declines in teen and young adult employment that inhibit further reductions in the size of the disconnected youth problem. During 2016 the regional unemployment rate has fallen to the 4.5 percent to 5.5 percent range—this drop in unemployment is occurring even as the size of the region's labor force is growing at a more rapid pace. Both of these developments are an important signal of a strengthening labor market. Building stronger relationships between LA's

secondary and post-secondary institutions and regional employers in this improved labor market environment can provide new and expanded job opportunities for the area's young people.

This means devoting resources at the secondary and post-secondary level toward helping teens and young adults get their first job, and begin the essential process of acquiring early work experience that is so critical to future success. Expanded career and technical education programs with strong employer advisory boards for each occupational area are a proven model of job market success for students and a reliable and welcome source of qualified labor supply for employers.

Co-operative education programs at the post-secondary level have proven especially effective in providing young people not only with employment opportunities, but in many instances a chance to try out a career experience that can help delineate a future pathway of career success. Co-operative education programs have proven especially effective in generating strong post schooling job market outcomes for underserved minority students.

High school leaders should also consider employment as a positive outcome for their graduates. These leaders need to consider devoting resources to fund a school-based job developer who can help students find part-time jobs while in school as well as summer jobs. For non-college bound students or students who do not enroll full-time in college, help in finding post-high school employment could provide an important jump start for this group that is sometimes called the forgotten half. Educational leaders should recognize that in the diversity of their student bodies also lies a diversity of life pathways. Recognizing the important developmental aspects of work experience for young people alongside the development of academic proficiencies will contribute to further reductions in the share of teens and young adults disconnected from opportunities to succeed in the adult world that demands ability, knowledge skills, and character.