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POLICY BRIEF . SEPTEMBER 2012

Maybe When You're Older: Prosperity and Young Adults in Washington State

By Michael Mitchell

The Great Recession affected families and workers of all ages, but few Washingtonians were hit as hard as young adults between 18 and 34.[1] It is crucial that policymakers start making the investments in education, health care, economic security and other supports that can help them recover and that will lay the groundwork for the state's future prosperity.

Plagued by high unemployment, soaring college costs and reduced economic opportunity, few other recent generations can claim to have come of age during more turbulent times. To ensure Washington state's long-term prosperity, we must invest in 18- to 34-year olds just entering or trying to regain their footing in our slowly-recovering economy.

Young adults face numerous challenges as they struggle to establish themselves in the wake of the recession:

- **Disproportionately high unemployment and poverty:** Although they make up only a third of all workers, young Washingtonians represented nearly 50 percent of those unemployed in 2010. Nearly a quarter of all young adults in the state lived in a household with income at or below the federal poverty level.
- **Early economic struggles can cause long-term damage:** Entering the workforce during a recession can significantly lower lifetime wages and reduce future economic opportunity. Young adults who get their first jobs during bad economic times experience declines in earnings that can linger for 15-20 years. Washington's struggling young adults risk never meeting their full economic potential.
- **Young adults of color are experiencing severe economic difficulty:** In 2010, the number of 18- to 34-year-old African-Americans in Washington state without jobs was nearly 24 percent, while the unemployment rate among young Hispanics was nearly 16 percent. Both rates were markedly higher than the 9.9 percent unemployment the state experienced overall.[2]
- **Damaging state spending cuts reduced resources for young adults in the state:** Recent budget cuts have significantly reduced our investments in higher education, public health, and economic security. Few have felt the impact more than young adults. College tuition for students has risen 94 percent since 2009. Along with that, reduced access to health insurance and diminishing job supports have made it a much steeper climb to the middle class for young Washingtonians.

Despite all this, there is cause for optimism. Washington state's young women are seeing huge gains in education and young adults are part of an increasingly diverse and dynamic population. Those characteristics provide strong cornerstones for this generation to build on.

If policymakers seize the opportunity to invest in the building blocks of a strong economy, widespread prosperity can again be within reach for Washington state's young adults. Adequately funding higher education to ensure that tuition accounts for no more than 50 percent of higher education resources, bolstering the Temporary Assistance for Needy Families cash grant, fully funding the Working Families Tax Rebate, and fully expanding Medicaid would put young adults – and the state as a whole – in a position for sustained economic prosperity well into the future.

Young Adults and the Economy

Young adults have suffered above-average unemployment and significant jumps in poverty. Combined with stagnant wages for many in this age group, their economic prospects appear to be in jeopardy.

High levels of unemployment

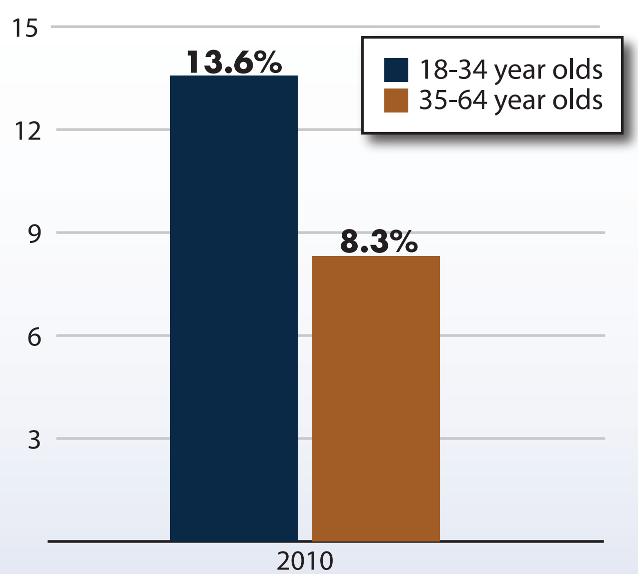
Unemployment among young adults has traditionally been higher than among older workers. But the recession made this particular generational gap even wider. Two years after the start of the Great Recession, 13.6 percent of Washington state's young adults were unemployed, compared to 8.3 percent of workers aged 35 to 64 (Figure 1).[3]

Young adults have less work experience, making it difficult for them to find and keep jobs, especially during tough economic times. Nationally, men and women between ages 25 and 34 were at least 15 percent more likely to lose their job than someone age 50 to 61; for 18- to 24-year-olds, the likelihood was 66 percent greater.[4]

Job tenure, education and experience translate into better job security for all workers. But young adults are finding it increasingly more difficult to gain such tenure and experience.[5]

Figure 1: Nearly One in Seven Young Adults Unemployed

Washington Unemployment by Age, 1980-2010



Source: Budget & Policy Center analysis of ACS and Census data

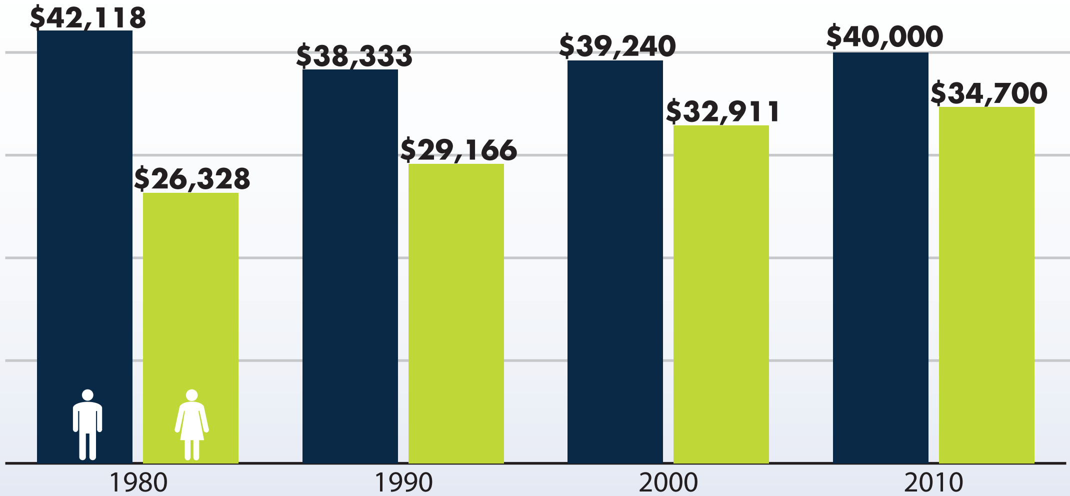
As the Great Recession shrunk retirement accounts, destroyed home values, and reduced economic security for older Washingtonians, many chose to postpone retirement and keep working, further dimming job prospects for young adults.[6]

Stagnant wages

Wages for Washington state's young adults tell two very different stories. For young men, annual wages (adjusted for inflation) have declined by more than 5 percent over the past 30 years. Young women, on the other hand, have seen a 30 percent increase, thanks in large part to dramatic rise in the number of hours they work and their rising education levels.[7]

Figure 2: Wages Stagnant for Young Adults Over Past Thirty Years

Median annual earnings, full-time workers, ages 25-34, 1980-2010 (2010 dollars)



Source: Budget & Policy Center analysis of ACS and Census data

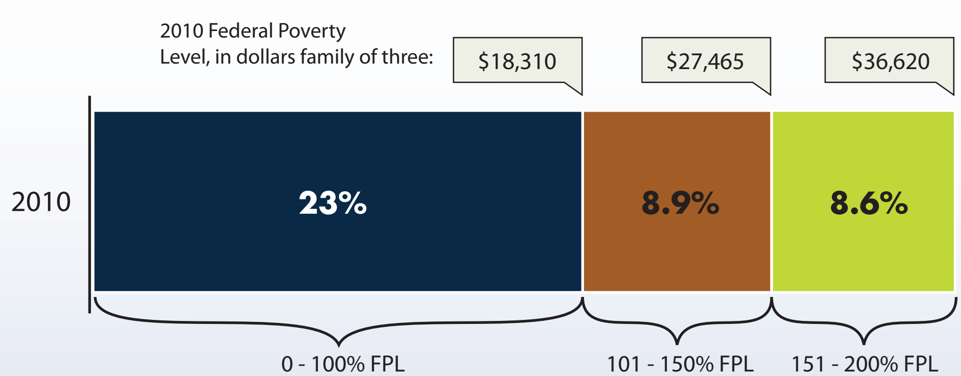
Nonetheless, women who work full time earn approximately 76 percent what men earn. Even after accounting for education, the "wage gap" persists in every industry in the state.[8]

Nearly one in four Young Adults in poverty

Nearly a quarter of all young adults in Washington state lived in a household at or below the federal poverty level (FPL) — approximately $18,000 for a family of three — in 2010 (Figure 3).[9] A 32 percent increase since 1980. In that same year, another 18 percent of young adults found themselves in living in households between 100 and 200 percent of poverty – $37,000 for a family of three. The effects of poverty can ripple throughout one's life, affecting education, health and other keys to well-being and success.

Figure 3: Nearly a Quarter of Young Adults Live in Poverty

Poverty by level, adults age 18-34, 2010



Source: Budget & Policy Center analysis of ACS and Census data

Economic struggles have long-term implications

High levels of unemployment and poverty pose numerous challenges to Washington state's young adults. For many, coming of age during the Great Recession will mean a lifetime of reduced earnings and limited opportunity.

The consequences include not only immediate wage losses, but also lower-than-expected earnings for years to come. Young adults graduating from college into a recession can see annual earnings 4 to 20 percent lower than similar students who graduate into a strong economy. This earning gap can persist for decades.[10] Men who lost their jobs during mass layoffs in 1982 were earning 20 percent less than their peers 15 to 20 years later.[11]

Washington state's recovery and future economic prosperity depends on ensuring young workers have the opportunity to reach their full potential.

Young Adults of color face bigger challenges

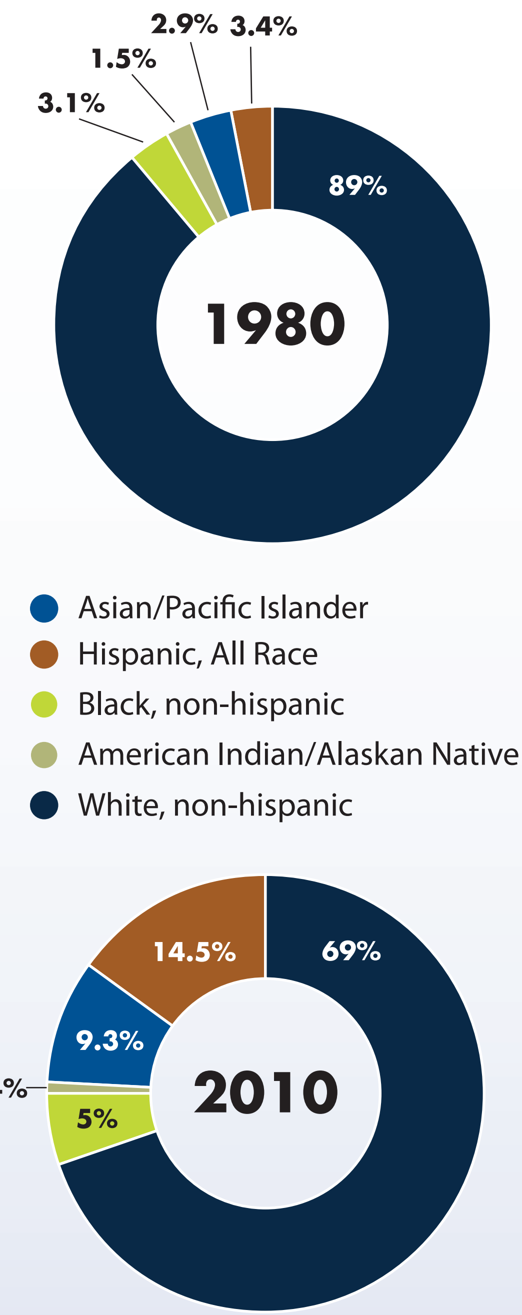
While 18- to 34-year-olds have struggled overall, young adults of color have been particularly hurt by the Great Recession. Historically, unemployment in African-American, Hispanic and certain Asian-American communities has been consistently higher than average unemployment for all young adults.

The Great Recession made that gap even wider. In 2010, 24 percent of 18- to 34-year-old non-Hispanic blacks in Washington state were unemployed and nearly 16 percent of young Hispanics were looking for work. The unemployment rate for all Washingtonians that year was 9.9 percent.[12]

Washington must address the struggles of all communities head-on. Without shared economic security and adequate opportunity, Washington state's future prosperity is increasingly in doubt. Population trends reinforce this point. In 1980, communities of color made up just over 10 percent of the state's total young adult popula-

Figure 4: Young Washington Adults are Diverse

18 - 34 year olds by Race/Ethnicity, 1980 - 2010



Source: Budget & Policy Center analysis of ACS and Census data tion. Today, that number is 30 percent and rising (Figure 4).[13]

This diversity is an economic and cultural asset for Washington state as young adults from various communities bring high-levels of skill, motivation, and new ideas to our state economy. A prosperous future is impossible without investments in young adults from all communities and backgrounds.

State Budget Cuts Have Hurt Young Adults

Investments in education, job training and health care play a critical role in creating widespread prosperity. Opportunity expands when hard-working middle class families have the support they need to find and keep well-paying jobs. Investing in higher education gives young people the skills they need to become the next generation of talented small-business owners, teachers and engineers that will drive our economy forward. Adequately funding health care means a more dependable work force and healthier communities.

Unfortunately, at the same time that the Great Recession has pushed opportunity out of reach for many young Washington state adults, policymakers have cut – or in some cases eliminated – these investments, just when they're needed most.

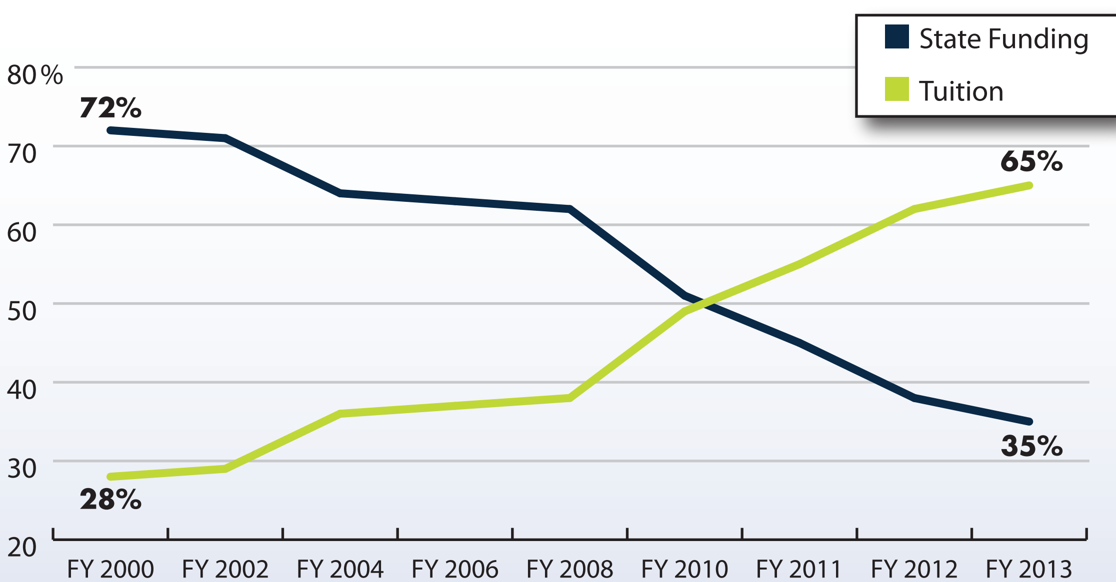
Cuts to higher education dimming future prosperity

The benefits of higher education are many - and growing. In 1990, a 25- to 34-year-old Washingtonian with a bachelor's degree earned, on average, about $11,000 more than a young person with just a high school diploma. Today that advantage has grown to more than $20,000.[14] Nonetheless, policymakers have slashed state funding for colleges and universities, pushing the share of costs onto students through significant tuition increases that put higher education out of reach for many.

While the number of young men with an associate's or bachelor's degree has remained relatively stable over the past 20 years, the number of women with those degrees grew to nearly 28 percent in 2010, from just under 24 percent in 1990. The share of young women

Figure 5: Student Tuition Accounts for Over Half of Higher Education Costs at 4-year Colleges

State funding as a share of higher education costs, FY2000 - FY2013



Source: Budget & Policy Center analysis; data from LEAP; reflects tuition in fund 149-B

Box 1: Rising need and the State Need Grant

As more and more people struggle with a slowly growing economy, the need for services that can help put Washington state on the road to recovery has grown. Yet state investments have not kept pace with rising need.

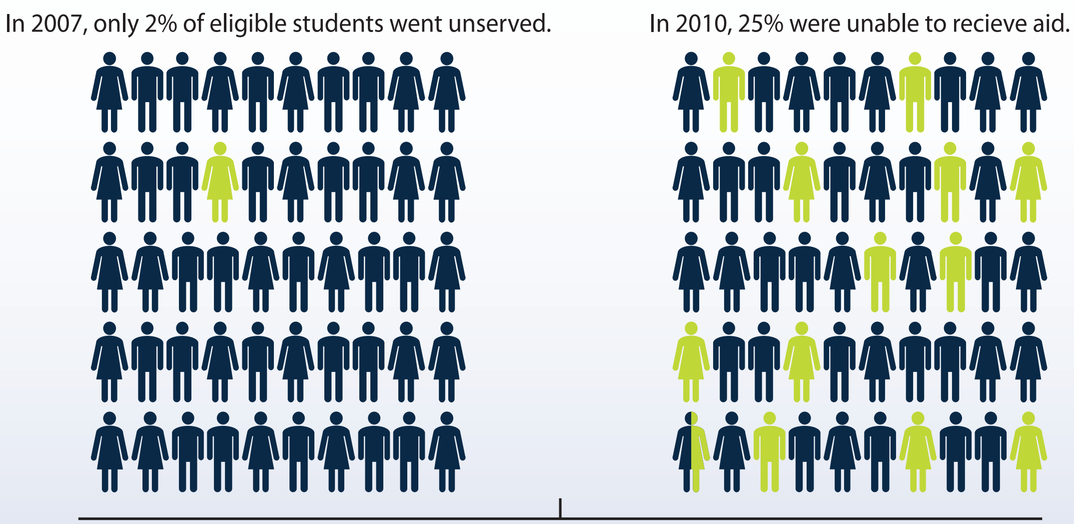
An illustrative example is the State Need Grant (SNG), which is designed to ensure that low- and moderate-income families can afford a college education.

While policymakers have boosted funding for SNG, they have provided far too little to cover growing need. In the 2010-11 school year, one out of every four students eligible for a grant was denied, up from one in 50 just three years ago (Figure 6).[16]

With a college diploma increasingly necessary to land a secure, good-paying job, this is a dangerous trend with serious implications for Washington's economy.

Figure 6: Cuts have Eliminated Financial Aid for Thousands of College Students

Served vs unserved students eligible for the State Need Grant



Source: Budget & Policy Center analysis; Data from HECB

pursuing master's degrees and PhDs has exploded by 160 percent over the past 20 years.[15]

While trends in educational attainment are positive, investments in higher education that would hold down tuition and make college more affordable for everyone have dwindled. Since 2009, policymakers have cut over $1.4 billion from higher education. State funding now covers just a third of the cost of a four-year college education down from 70 percent in 2000.[17] As a result, college tuition for students has risen 94 percent since 2009, effectively pricing many lower- and middle income families out of higher education.

Restore balance in state support for higher education

Higher education is the launching pad for economic growth and shared prosperity. State funding for public universities and community and technical colleges should cover at least 50 percent of student costs. Bolstering state investments in colleges and universities and stemming the rise of tuition will ensure wider access for lower- and moderate-income students, giving all young adults a better shot at reaching the middle class.

Young Adults, health and insurance

Accessible and affordable health care means a more reliable workforce. However, health care is out of reach for many young people, and state policymakers have made the problem worse by cutting investments in health coverage.

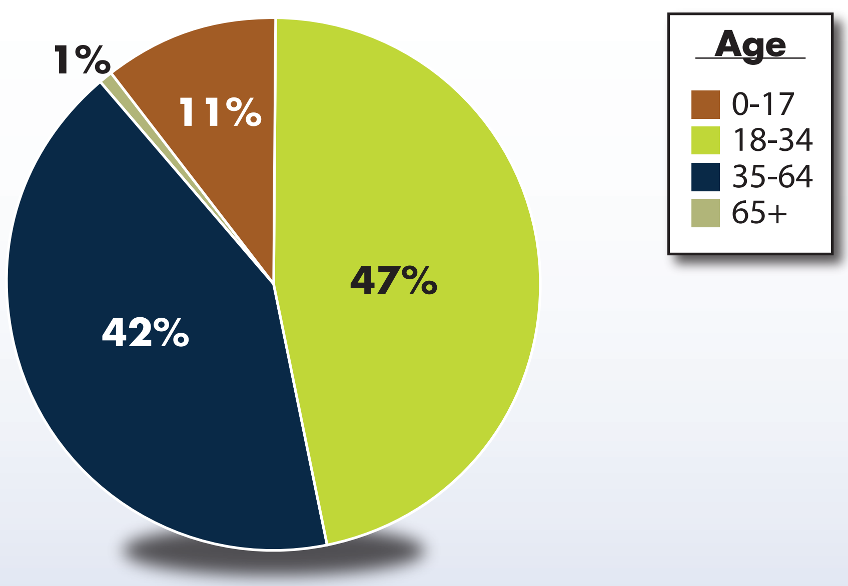
Eighteen- to 34-year-olds in Washington are more likely than any other age group to lack health insurance. In 2010, nearly half of the uninsured in the state – 47 percent – were between the ages of 18-34 (Figure 7).[18]

Since 1987, the state's Basic Health Program (BHP) has provided affordable health coverage to lower-income working adults who typically do not qualify for other health insurance.[19] But after years of budget cuts, enrollment has plunged to 30,000, from an enrollment peak of 130,000 in 2000. Over half of adults who have lost coverage are 39 and younger. More than 170,000 people are on a waiting list.[20]

The benefits to health insurance are substantial and hold value for the entire state economy. Productivity and annual earnings increase dramatically with better health, boosting annual wages by 10 to 30 percent. So, while cutting spending on health care may save the state money in the short-term, it will cost everyone in the long-run.[21]

Figure 7: Young Adults are the Largest Share of Washington's Uninsured Population

Share of uninsured Washington population by age, 2010



Source: Budget & Policy Center analysis; Data from OIC

Health care reform - Medicaid expansion

Young adults are much more likely than other age groups to lack health insurance. Full expansion of Medicaid to cover individuals up to 138 percent of the federal poverty level – as made possible by the federal Affordable Care Act - would help remedy that. Over 330,000 Washingtonians, including a large number of young adults, will be newly eligible for Medicaid.[22]

With the federal government picking up most of the cost (100 percent for the first three years and 90 percent after that) expansion of Medicaid is another investment with significant payoff - greater economic security for thousands of Washington state families - at a reduced cost to the state.

Cuts jeopardize economic security

When families fall on tough economic times, many turn to Temporary Assistance to Needy Families (TANF), known as WorkFirst in Washington state. WorkFirst provides critical support for child care and job searches, as well as cash assistance, to help struggling parents get and keep jobs.[23] Nearly three out of every five adults served by the WorkFirst program are between 18 and 29 years old.[24]

In 2011, Washington state enforced a 60-month time limit, instantly leaving 20,000 people of all ages without the supports necessary to get them back on their feet and into jobs.

In addition, cash assistance continues to fall short of meeting the needs of families. Its value, adjusted for inflation, has dropped by more than 38 percent since 1996.[25]

Reinvest in the WorkFirst program and fully implement the Working Families Tax Rebate

Economic lifelines like WorkFirst play a critical role in keeping families afloat during tough times. Policymakers should restore WorkFirst cash assistance to 2010 levels so that families have the support necessary to meet basic needs while they work or look for a job. Additionally, implementing an "economic trigger" that suspends the current 60 month time limit would ensure that families are able to get the assistance they need when it matters most.

Four years ago, Washington state created the Working Families Tax Rebate – a state version of the federal Earned Income Tax Credit (EITC) –a powerful tool that rewards work and helps move families out of poverty and into the middle class. Policymakers have yet to fund the rebate, which would help over 400,000 hard-working Washingtonians hold down jobs that often don't pay enough to support a family. Approximately four out of every ten recipients would be between the ages of 18 and 34.[26]

Funding the WFTR will help tomorrow's workers as well. Children living in households that earn tax rebates are healthier and do better in school relative to other lower-income children.[27] When children from families that received the EITC become adults, they have dramatically higher earnings and work more hours than their counterparts from similar households that did not receive such assistance.[28]

Conclusion

Washington state has become the prosperous state that it is today because hard-working, far-sighted citizens realized that economic prosperity and widespread opportunity meant investing in values that benefit all of us. These investments, have given generation after generation more prosperity, more economic growth and a more robust middle class.

For many young adults, economic opportunity is less available today than it was for their parents and grandparents. A slowly recovering economy and devastating budget cuts have hit young people particularly hard. The benefits of past investments in education, health care and basic economic security are fading, putting in doubt the prosperity of future generations and placing a firm ceiling on the economic potential of our state.

Now is the time to bolster investments that will lay the groundwork for future prosperity, and honor the work done by past generations to make Washington state great.

Acknowledgments

The Budget & Policy Center gratefully acknowledges the support of the Annie E. Casey Foundation, Bill & Melinda Gates Foundation, Paul G. Allen Family Foundation, Campion Foundation, Northwest Area Foundation, Stoneman Family Foundation, Washington Progress Fund, Women's Funding Alliance, and The Seattle Foundation. The findings and conclusions presented in this report are those of the author alone, and do not necessarily reflect the opinions of these organizations.

Endnotes

1. For the purposes of this policy brief, a young adult is defined as someone between 18 and 34 years of age.

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