



# Youth Labor Market Trends and Human Capital Investment

Innovative Workforce Development  
Strategies for Out-of-School Youth  
June 15, 2016

*The views and opinions expressed are those of the presenter. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.*

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# Overview

- The Fed's Dual Mandate
  - Price Stability
  - Maximum Employment
- Labor Market Trends
  - Employment Growth
  - Labor Market Flows (JOLTS)
  - Labor Force Participation
  - Unemployment Rate
  - Wage Differentials
- Conclusion

# The “Dual Mandate”

## 1977 Amendment to the Federal Reserve Act

"The Board of Governors of the Federal Reserve System and the Federal Open Market Committee shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates."

# Monetary Policy Goals

- Price Stability

Starting in January 2012, the Fed set an explicit inflation goal of **two percent growth** over the long run – this goal has been reinstated every January.

- Maximum Employment

No explicit goal set:

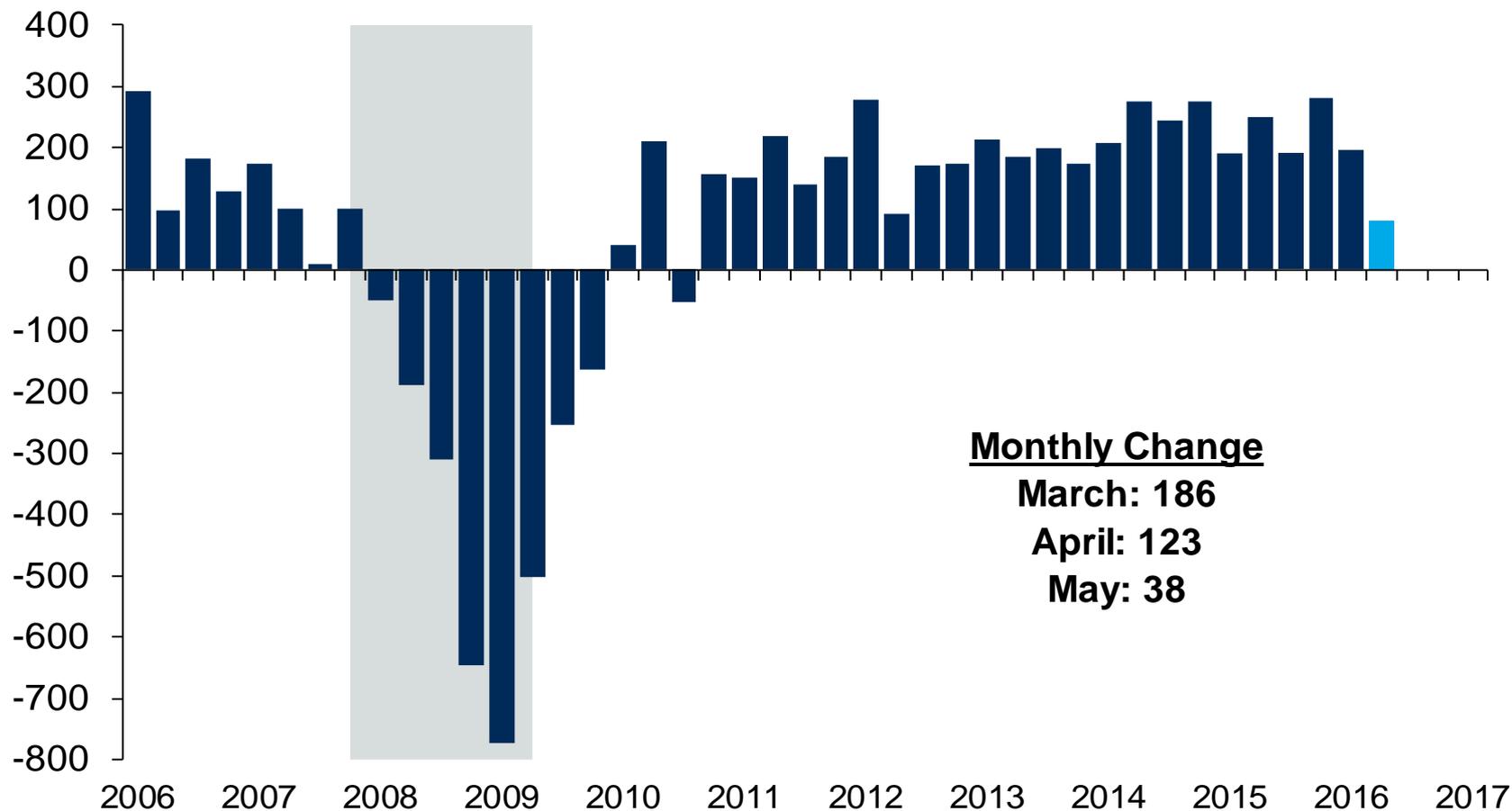
“The maximum level of employment is largely determined by nonmonetary factors that affect the structure and dynamics of the labor market. These factors may change over time and may not be directly measurable.”

Factors include population growth, labor force participation, and productivity

# Labor Market Trends

# Payroll Employment Growth

Average Monthly  
Change, Thous.



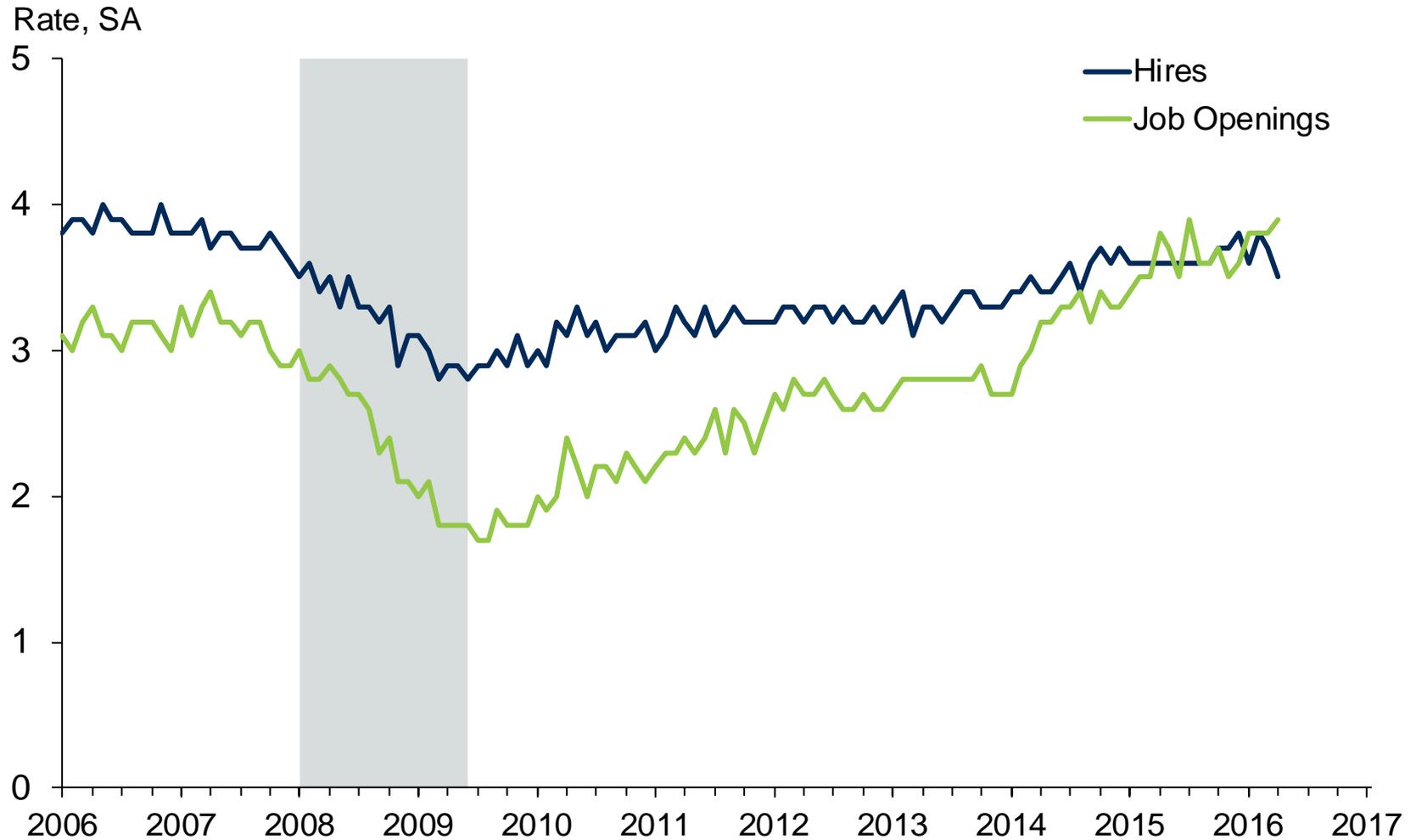
## Monthly Change

March: 186

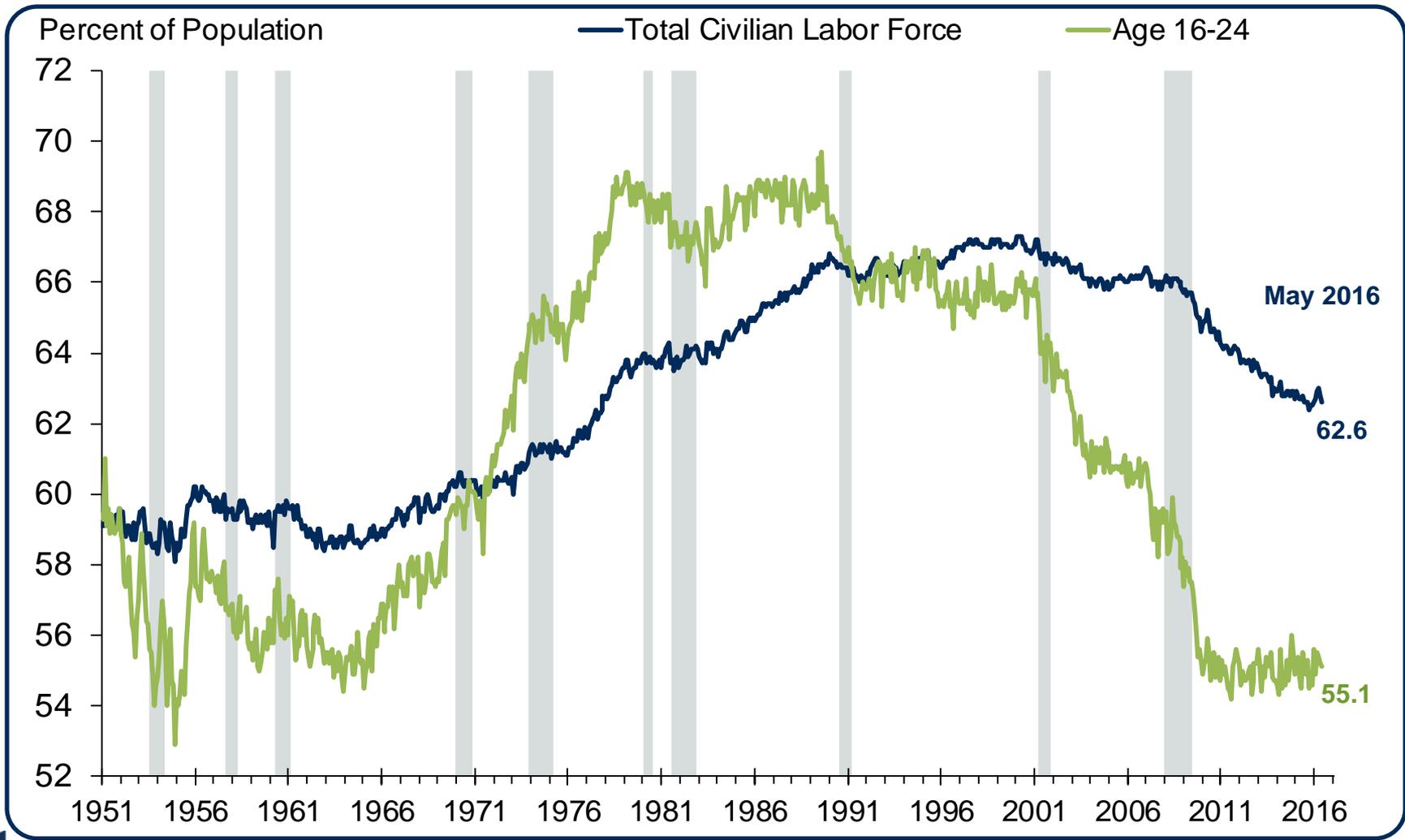
April: 123

May: 38

# Labor Market Flows

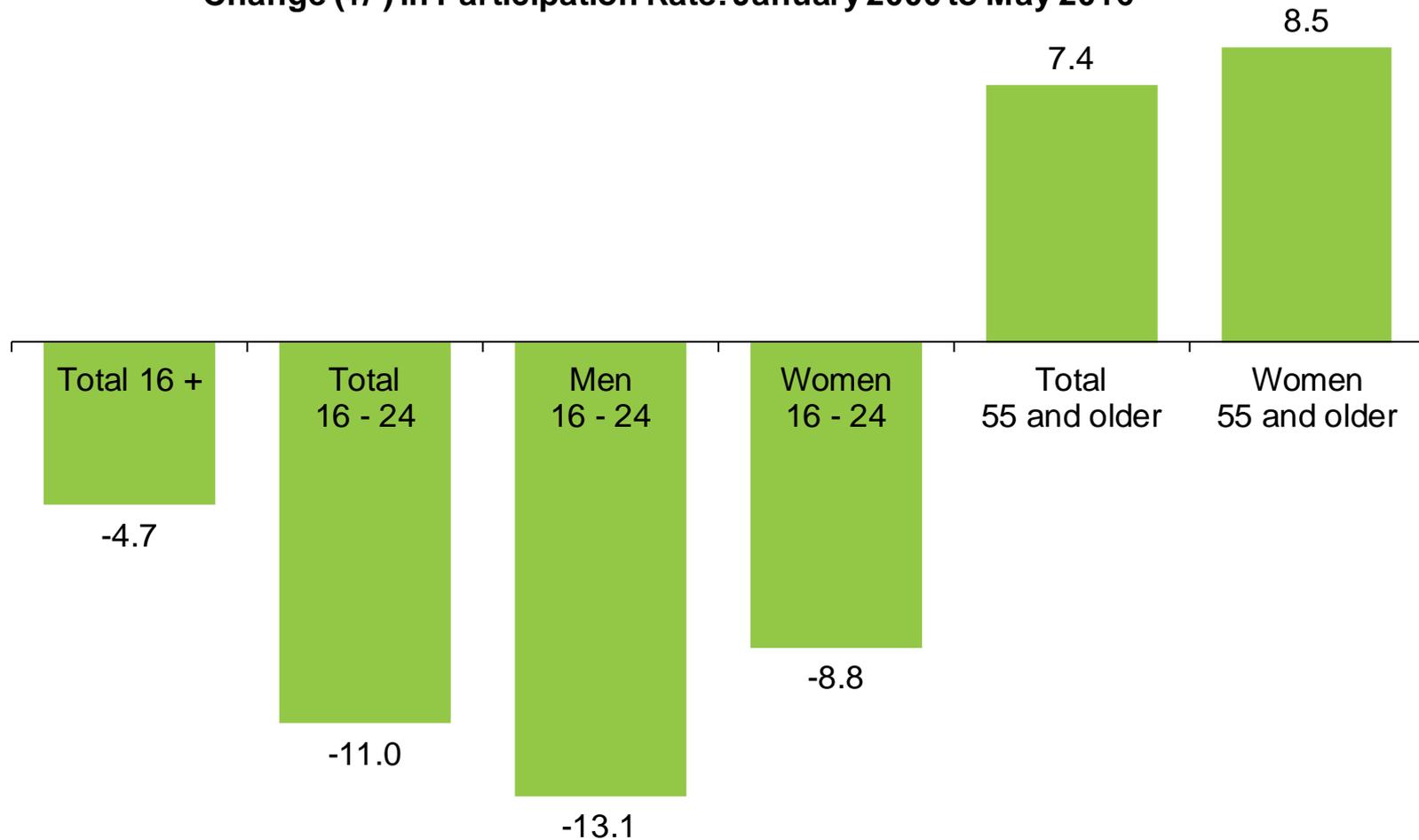


# Labor Force Participation Rate

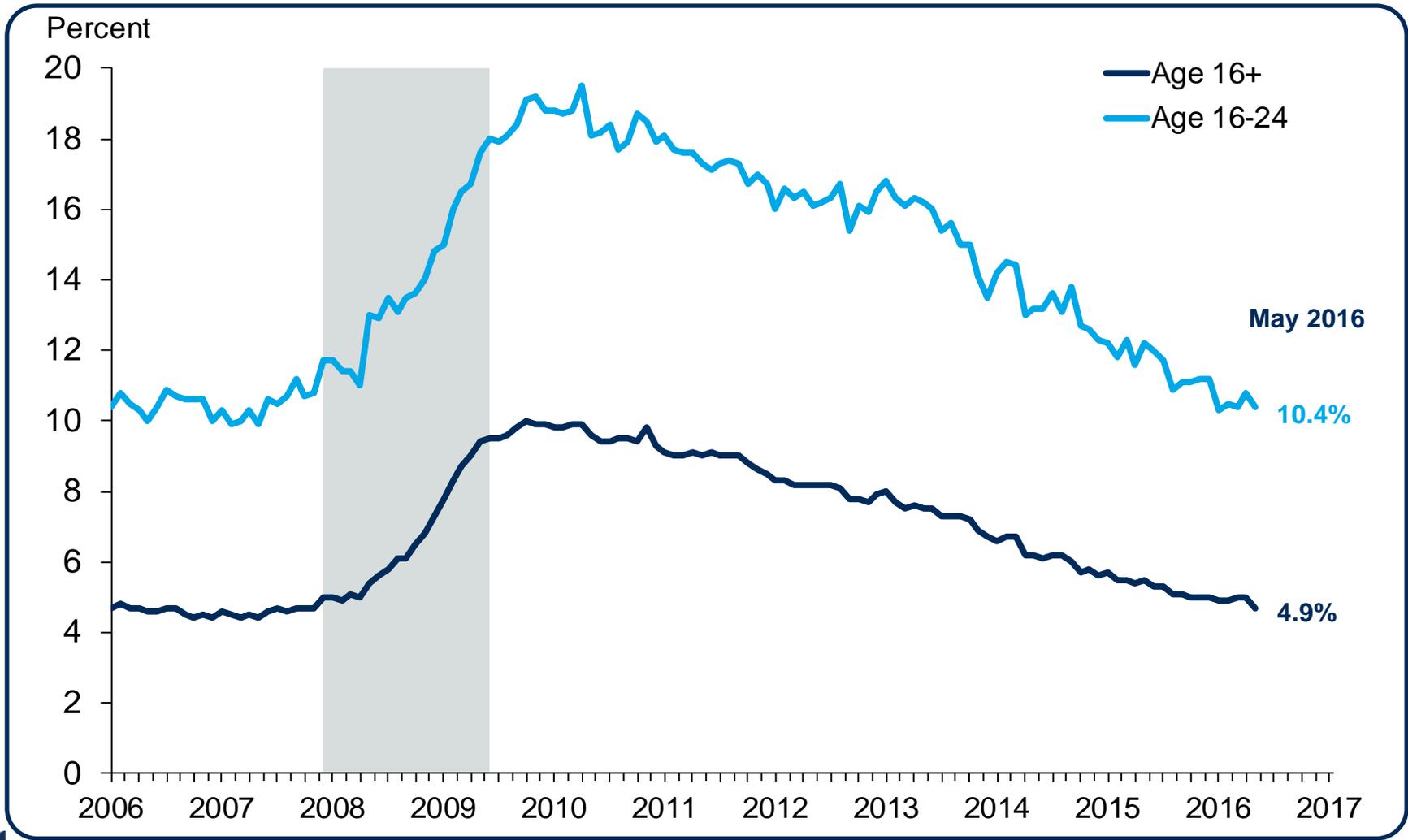


# LFP Rate – Demographic Differences

Change (+/-) in Participation Rate: January 2000 to May 2016

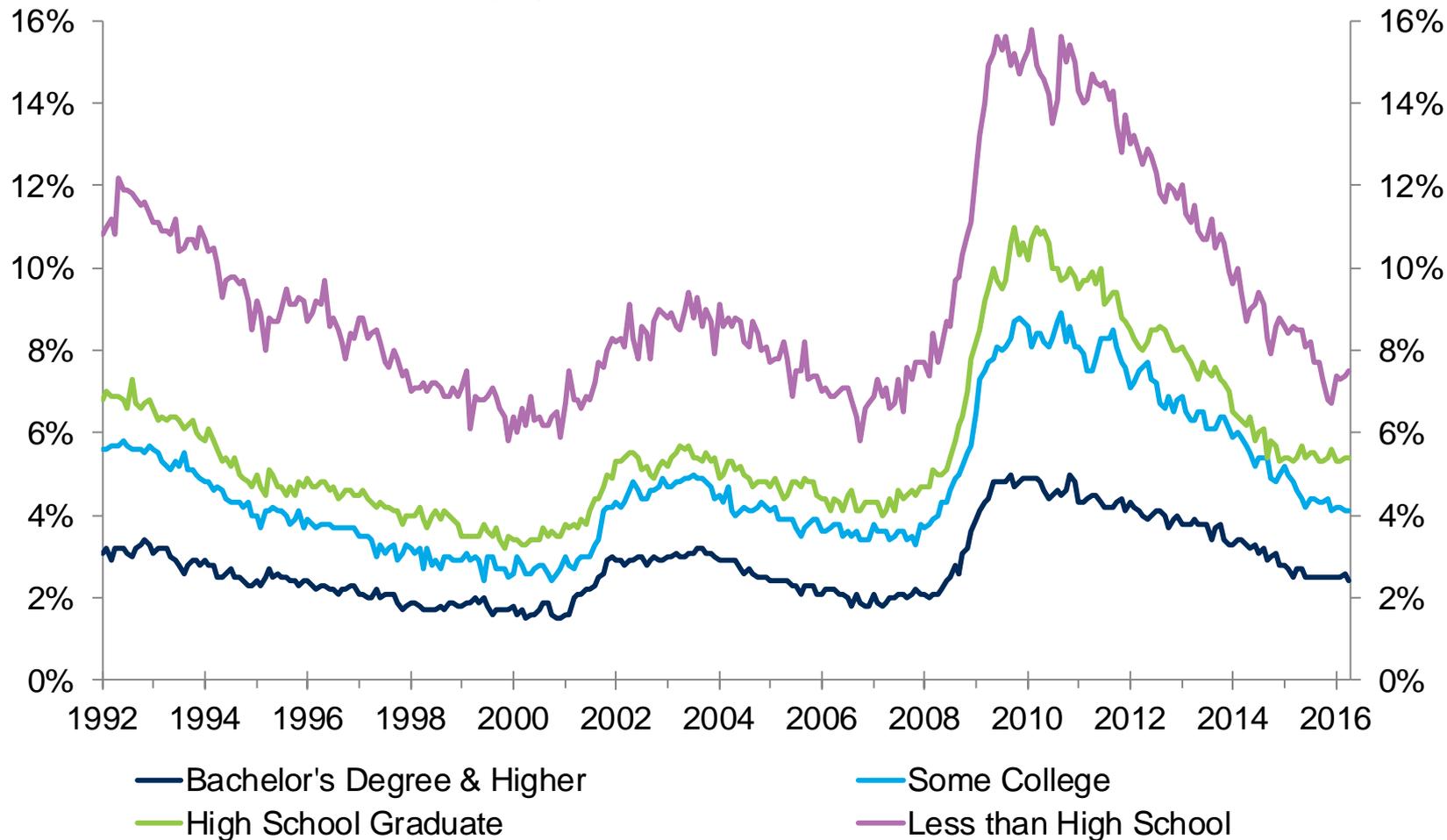


# Official Unemployment Rate



# Unemployment Experience Differs by Education

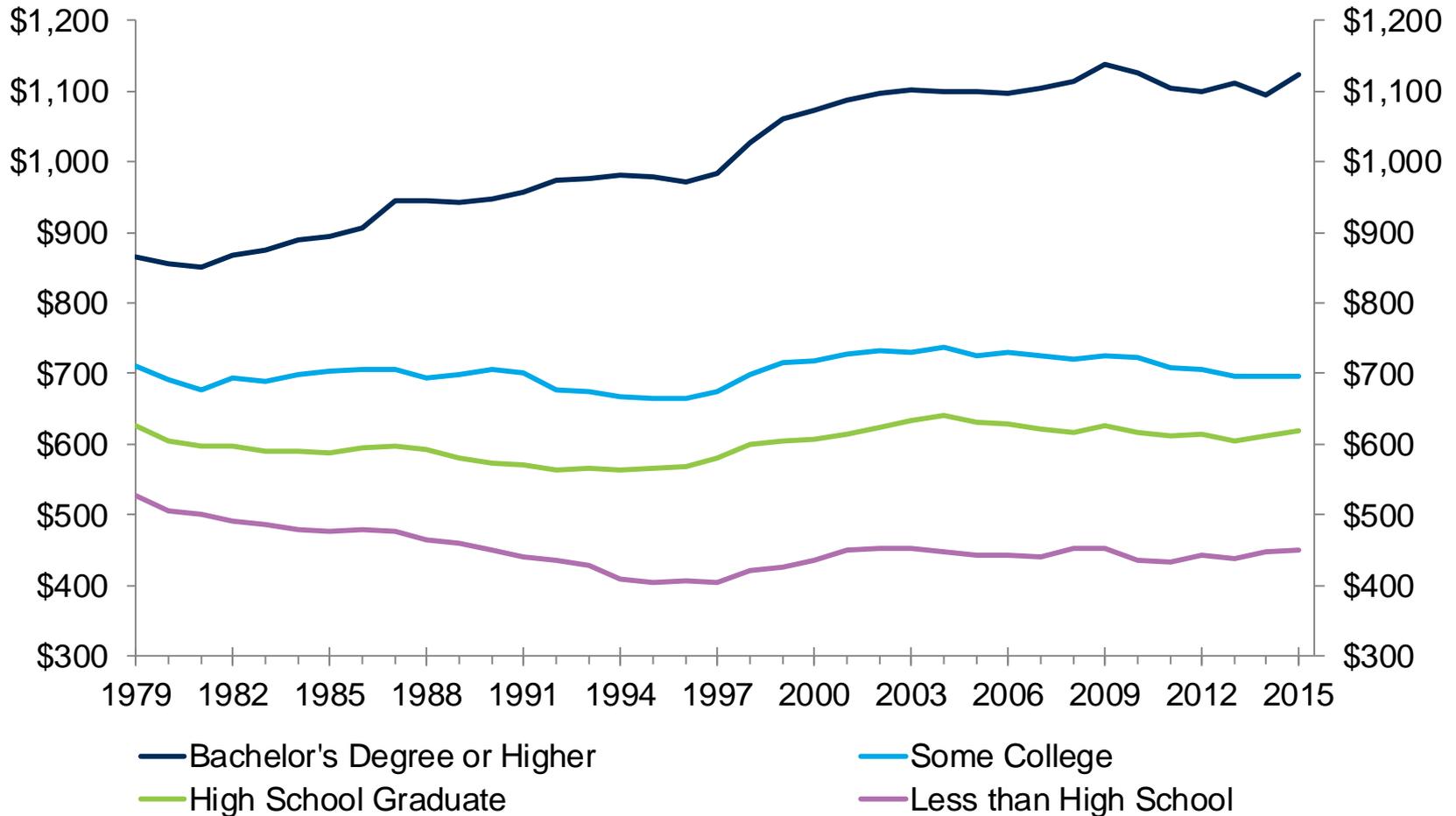
Unemployment Rate, Workers 25 Years and Over



Source: Bureau of Labor Statistics

# Payoff to additional education is clear ... and completing high school is key

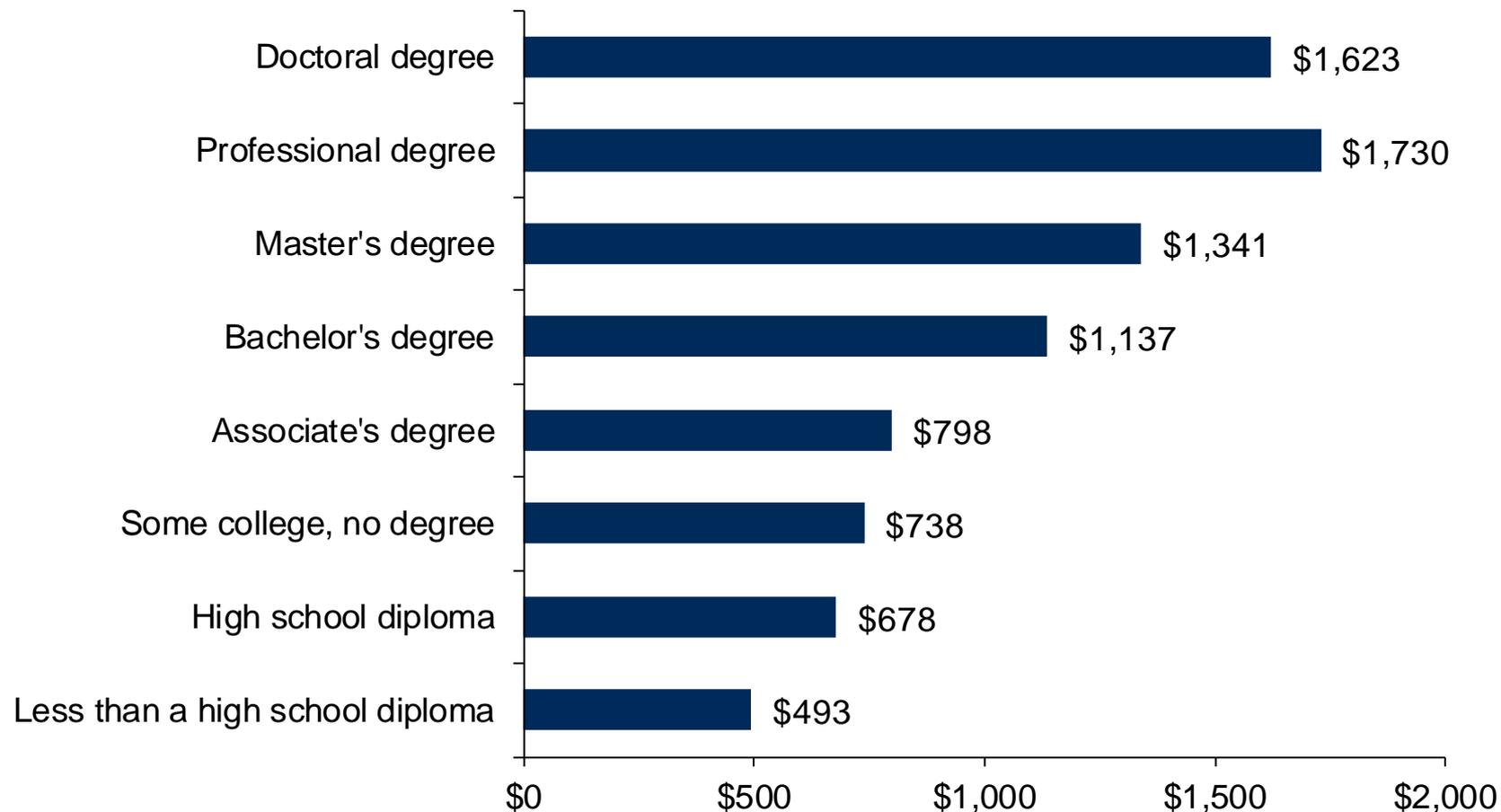
Median Weekly Earnings, Workers 25 Years and Over (2009 Dollars)



Source: Bureau of Labor Statistics

# A finer recent breakdown

Median Weekly Earnings in 2015 for Workers 25 Years and Over



Source: Bureau of Labor Statistics

# The Importance of Preparedness

## Three dimensions of preparedness



Academic  
ability



Work  
habits



Knowing  
options

# Prepping for Completion and the Workforce

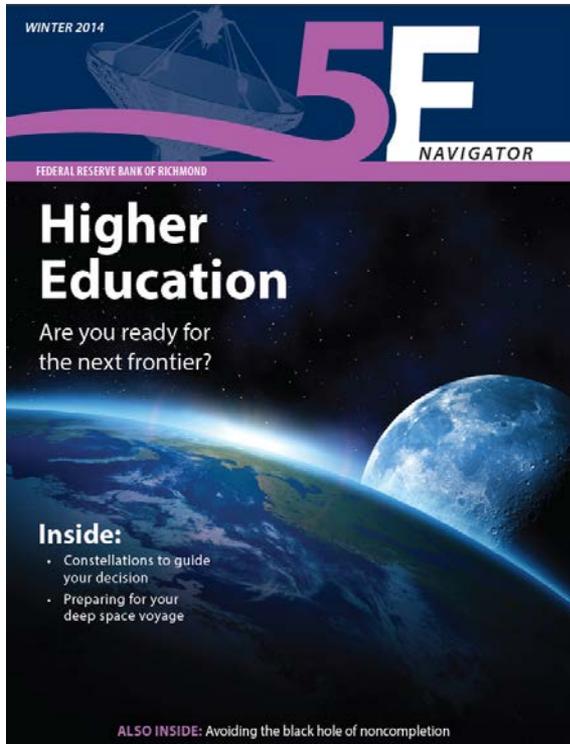
- **Early Childhood** experiences seem to matter a lot for hard and soft skills.
- **MS/HS** appear to be a good time for exploring options and further building soft skills.
- **Community college** can help students assess preparedness and explore other postsecondary options.



# The Upshot

- **Completion** is important.
- Returns are **individual**.
- **Preparedness** (including having information) can help you choose the best path for yourself and ultimately complete that path.

# Richmond Fed Resources



*Questions?  
... and thank you!*