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Workforce

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## **Cleveland youth face barriers to good jobs**

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# Introduction

Young people in Greater Cleveland face challenges to finding work, especially in jobs that pay a living wage. This is despite the fact that young Clevelanders have increased their high school graduation rates, post-secondary education and labor force participation rates. Youth of color face additional challenges.

Greater Cleveland continued to endure high joblessness years into the recovery, and many communities have staggering rates of poverty. Communities of color are especially vulnerable to both of these challenges. Against this backdrop, youth of all races, but especially African American youth, are at special risk. This paper analyzes the job market facing young Clevelanders, comparing three recent periods of three years each, ending with 2013-2015, the most recent data available. We pool years to get an adequate sample size for this small geographic area and age sub-group. More recent labor market data, available only for larger sample sizes than Cleveland youth, indicates that the situation has likely improved somewhat since the periods covered in this paper.

## Young Clevelanders struggle to find good jobs

- More than three quarters of young Clevelanders are working or seeking work
- Young Clevelanders faced unemployment rates of 13.8 percent on average from 2013-2015, when the rate for Cleveland as a whole was 5 points lower
- Most Cleveland college students are working their way through school
- Young workers are concentrated in low-wage sectors
- Young people of color face lower employment levels and earnings

## Young Clevelanders struggle to get a foothold

In 2015, young workers aged 18 to 29 in the Cleveland metro area earned just 59 percent of the wages of the typical worker: \$11.13 at the median, compared with \$18.78 for all workers aged 15 to 64.<sup>1</sup>

A higher minimum wage would boost earnings for young and entry level workers. It would also put more spending money in consumers' hands. Research finds that higher minimum wages do not measurably reduce jobs for either the workforce as a whole or for young workers. Slowly raising Ohio's minimum wage to \$15 by 2025 would give a powerful boost to young workers.<sup>2</sup>

<sup>1</sup> Policy Matters Ohio assessment of CPS microdata 2015. Working age population is persons aged 15-64.

<sup>2</sup> A University of Washington working paper on the Seattle minimum wage drew recent media attention when researchers found a decrease in low wage employment and attributed it to that city's higher minimum wage policy. That report stood out from other reports which have overwhelmingly found no jobs effect or a small positive one from raising the minimum wage. Center on Workforce Employment Dynamics economist and minimum wage expert Michael Reich explains methodological limitations in

We expect young workers to be at the low end of the earnings spectrum due to limited work experience and the fact that some young workers are still completing school. Young workers also face higher rates of unemployment and underemployment in good times and bad. For young workers, it is especially crucial that we build a thriving economy that shares prosperity across the board.

There are reasons to be concerned that the type of jobs that tend to employ young workers today could represent a longer term sectoral shift. Good jobs were once available to young workers out of high school, many of them in manufacturing. Today, more young workers must seek jobs in industries that have performed less well in providing decent wages, healthcare, secure retirements, and career ladders. Meanwhile, once sought-after jobs are slipping in quality. Both of these trends underscore the need to restore vibrancy to our labor market and to implement policies to ensure that every job is a decent job.

Young workers have much higher labor force participation but faced substantially higher rates of unemployment than the overall workforce in the most recent period. Labor force participation includes both workers and active job-seekers. The share for 18-to-29-year-old Clevelanders was 76.8 percent in 2013-15, 11 points higher than the rate for the workforce as a whole. Youth labor force participation grew over the course of the recent economic recovery, while workforce participation for workers of all ages remains low in Cleveland and statewide.

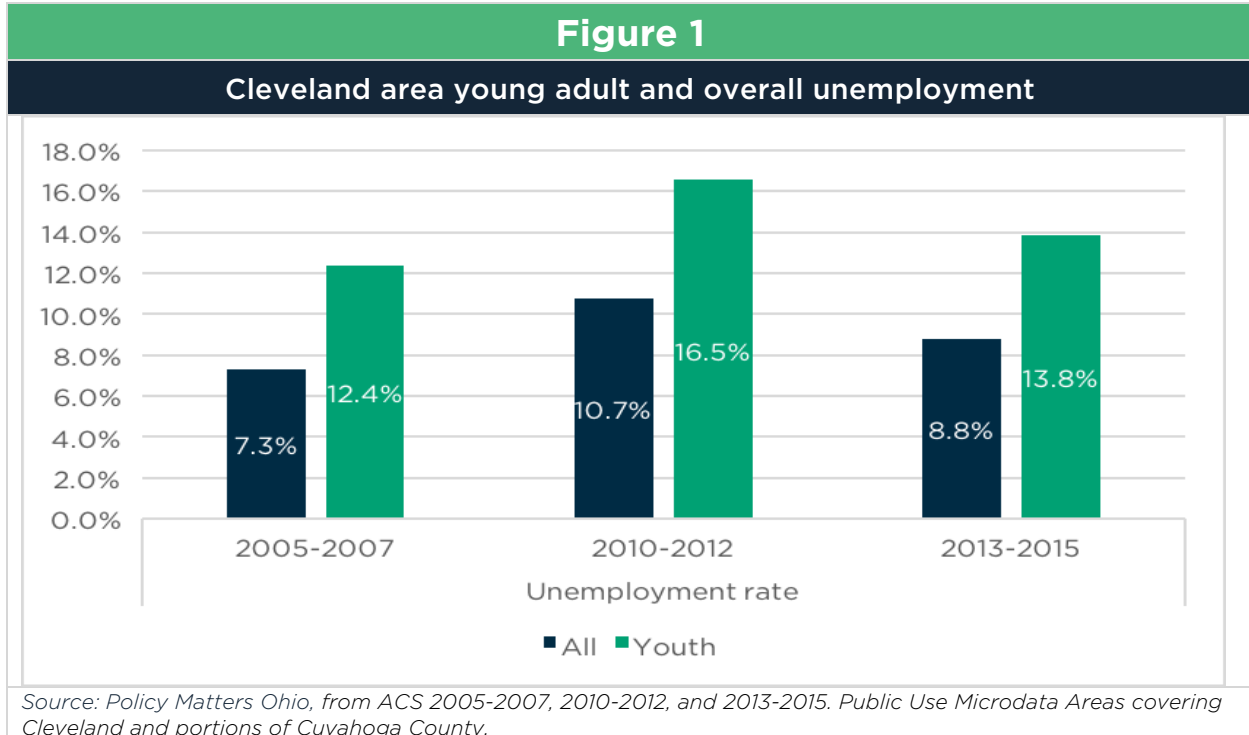
Despite this, young workers faced unemployment rates of 13.8 percent, five points higher than the overall rate for the city.<sup>3</sup> While youth unemployment fell from the early recovery, it remained higher than unemployment for the overall workforce during the worst months of the recession.<sup>4</sup> Young Clevelanders were actively searching for work in the most recent period analyzed, but not consistently finding jobs.

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the UW report which he believes account for that study's unusual results, <http://irle.berkeley.edu/reich-letter-to-seattle-mayors-office/>.

<sup>3</sup> Unemployment rates have continued to fall since 2015 in Cleveland, reaching just 6.4 percent in the Cleveland-Elyria-Mentor MSA by June 2017.

<sup>4</sup> Throughout this report, we pool data into 3-year blocks instead of using annual trend lines to get more reliable results from our limited sample size.



## Youth, education, and work

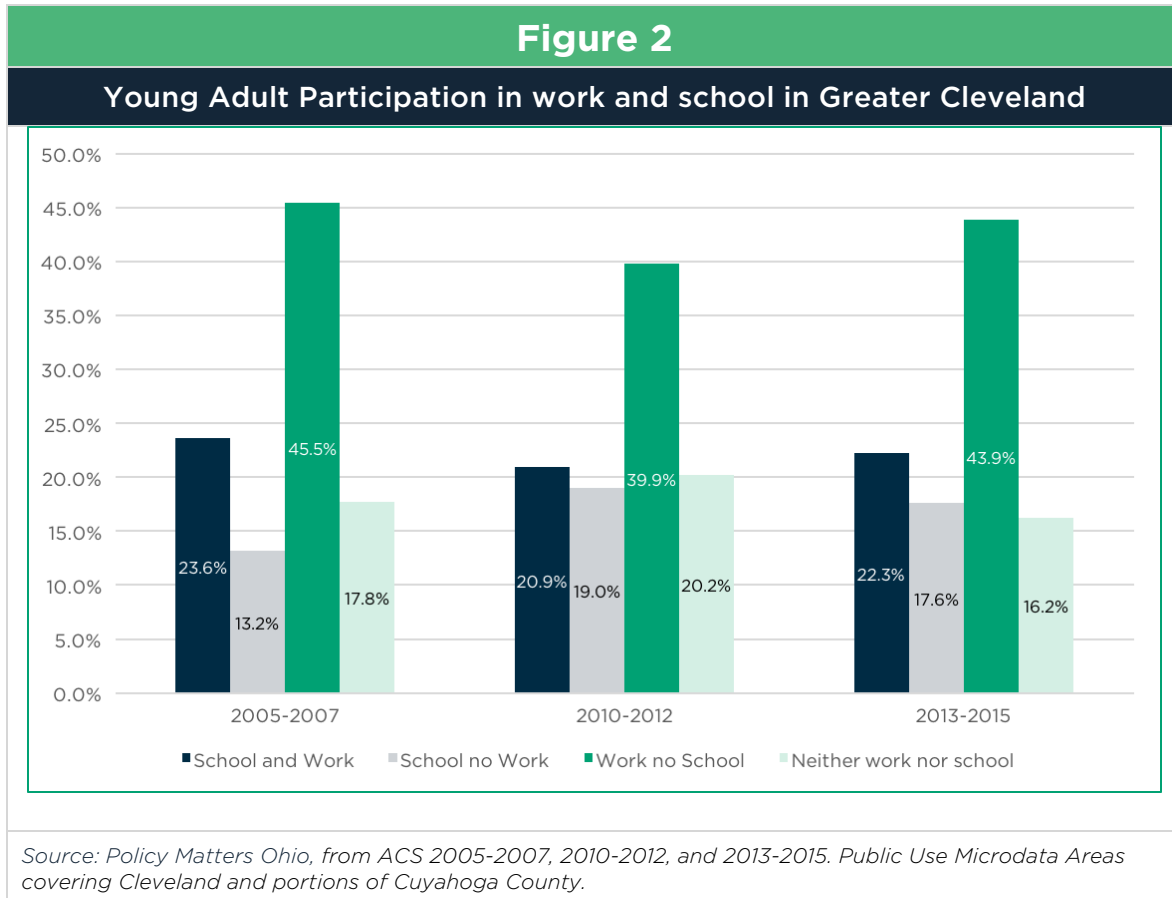
National reports have highlighted how the recession and its aftermath left young workers idled – in neither work nor school. That was true for about 20.2 percent of youth workers in Greater Cleveland in the early recovery, but the share of idled young people in the city has since dropped off substantially to 16.2 percent.

In fact, most 18 to 29-year-olds in Greater Cleveland do work, and have done so in each period we analyzed. Between 2013 and 2015, the employed share was 66.2 percent. The largest share (43.9 percent) was working and not enrolled in school. Most young people who were attending school were also working: 22.3 percent of young people were working students. Only a relatively small 17.6 percent of youth were students without jobs. Youth in neither work nor school comprised the smallest share: 16.2 percent. That share was larger in the immediate recovery, when there were far fewer opportunities to work, as was school attendance without work.

Clevelanders aged 18 to 29 increased educational attainment in both periods. Enrollment in college and other higher education also rose. The share of young people leaving high school without a diploma rose slightly from 9.1 percent in 2005-2007 to 9.8 percent in 2010-2012, then fell to 7 percent by 2013-2015. These numbers capture a different figure, but at the same time the Cleveland Metropolitan School District improved its on-time graduation rate by 17 points since 2009, graduating 69.1 percent of all students on time in 2015.<sup>5</sup>

<sup>5</sup> The figures in this report include Cleveland students outside of CMSD, and a small share of students in Cuyahoga County suburbs; and cannot distinguish between students graduating on-

These data show that young Clevelanders are willing to make the investments to build skills, even when they must work during school to do so. Career paths that include stackable credentials would fit with existing trends in how young people are engaging in the labor market and would increase the likelihood of young people’s efforts generating a long-term return.



Despite increased attendance in higher education by Cleveland area youth, attendance trends in community colleges, more likely to serve disadvantaged youth, are mixed. Most students at Cuyahoga County Community College (Tri-C) are first-generation college students (55 percent). The Ohio Department of Higher Education finds that community college attendance in Cuyahoga County has risen slightly since 2006, but fell 13 percent from 2010 to 2015.

Ohio’s higher education funding is inadequate and poorly invested. In 2016, the discredited and now defunct ITT Tech got more need-based state financial aid dollars than all Ohio’s community colleges combined.<sup>6</sup> To make education available to young people regardless of

time or late

[http://www.cleveland.com/metro/index.ssf/2016/11/cleveland\\_schools\\_boost\\_gradua.html](http://www.cleveland.com/metro/index.ssf/2016/11/cleveland_schools_boost_gradua.html)

<sup>6</sup> ITT Tech received \$1.1 million. Ohio public 2-year colleges received 1.02 million, Halbert *For Profit Career Colleges are Risky Business for Ohio*, <https://www.policymattersohio.org/press-room/2017/05/25/for-profit-career-colleges-are-risky-business-for-ohio>, Ohio Department of Education,

family wealth, the state must increase Ohio College Opportunity Grant (OCOG) funding and expand its eligibility for students in community colleges.

## Young workers stuck at the bottom

While most young people in Greater Cleveland work, many are stuck in low-wage jobs that lack career ladders. This trend distinguishes young workers from both older workers today and from the experience of older generations when they were young.

Cleveland's 10 most common jobs for young workers have an average salary of just \$22,176 at the median, compared with \$32,596 for all workers, and \$39,739 for jobs primarily held by older workers (what we call aging industries). The official poverty level for a family of three is \$20,420, but a good benchmark for self-sufficiency without reliance on safety net programs is double that. Young workers are more likely to work in the service sector, including retail, and restaurants, where tipped workers are not protected by the state's minimum wage.<sup>7</sup> Such workers also face unpredictable scheduling and often limited hours.

Aging industries, with the largest share of workers over age 45, may provide opportunities for young workers to secure jobs with career pathways as incumbent workers approach retirement. These jobs represent a mix including high level executive jobs gained through years of workforce experience, and manufacturing jobs that provided good, stable earnings for earlier generations of workers. Policies to maintain job quality in the manufacturing sector are needed. These include protecting collective bargaining rights and preserving training opportunities such as Manufacturing Extension Partnerships, whose funding is now at risk in the Federal budget.<sup>8</sup> In addition to sectoral strategies we must take steps to ensure that all jobs provide a decent living: a \$15 statewide minimum wage is a critical first step.

Appendix tables 1-3 break down the most common industries

## Young people of color face higher unemployment, lower wages

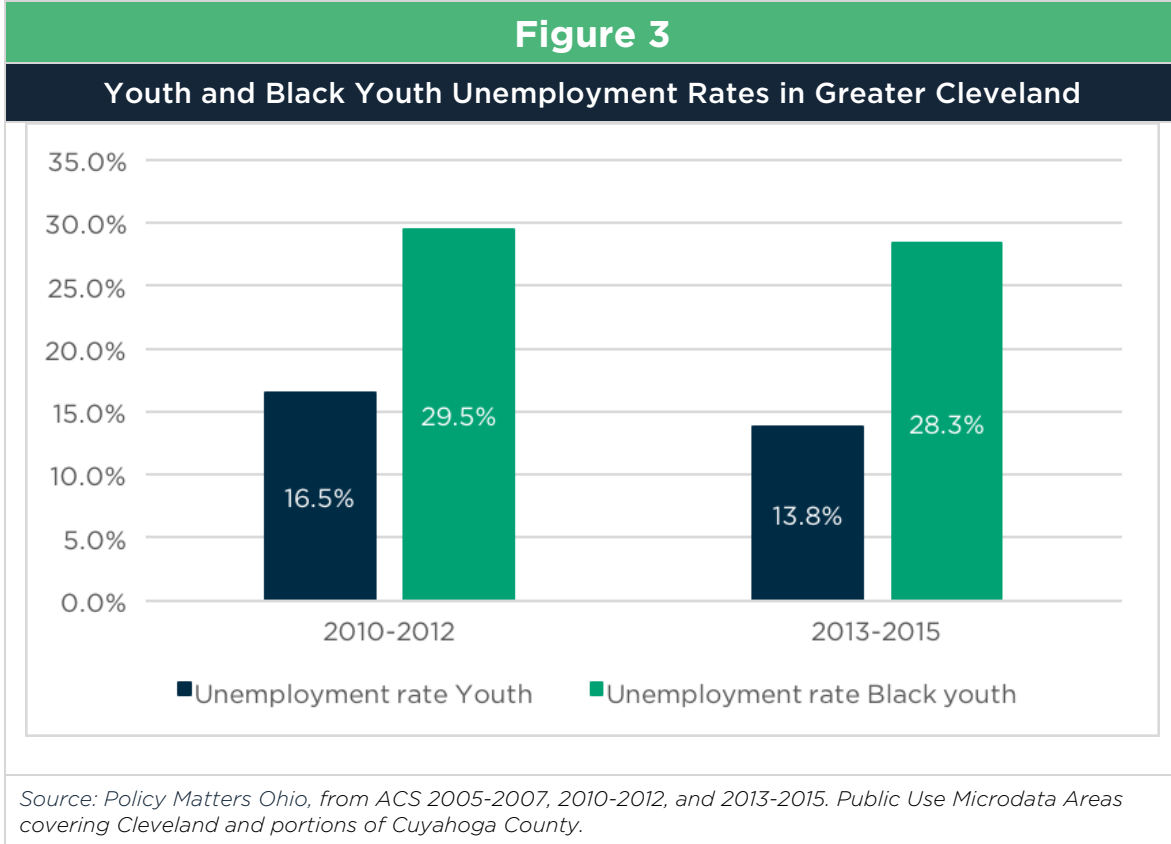
Job opportunities and compensation differ dramatically by race in Greater Cleveland. The unemployment rate for all young Clevelanders was still high from 2013-15, higher in fact, than the peak rate for the state in the worst months of the recession. But unemployment among black young adults is at a crisis level: nearly one in three young black workers couldn't find a job over the pooled years from 2013-2015. Three to five years in, the recovery had done very little to improve unemployment rates for black youth. Young adult unemployment in Cleveland fell 2.7 percentage points, but only 1.2 points for young black workers, widening the race unemployment gap.

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Summary of Program Expenditures by Institution, FY 2016, [https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/sgs/expenditures/EXPEND\\_2015-2016.pdf](https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/sgs/expenditures/EXPEND_2015-2016.pdf)

<sup>7</sup> Employers are required to pay tipped workers in Ohio just \$4.08 per hour. A technical provision stipulates that employers must make up the difference if these workers don't earn the full \$8.15 minimum in combined wages and tips, but employers routinely break the law and seldom face recourse. Statewide, restaurant servers made just 93 percent of poverty in 2015.

<sup>8</sup> See *Manufacturing: Still Vital to Ohio*, January 2017, <https://www.policymattersohio.org/research-policy/fair-economy/economic-development/manufacturing-still-vital-to-ohio>

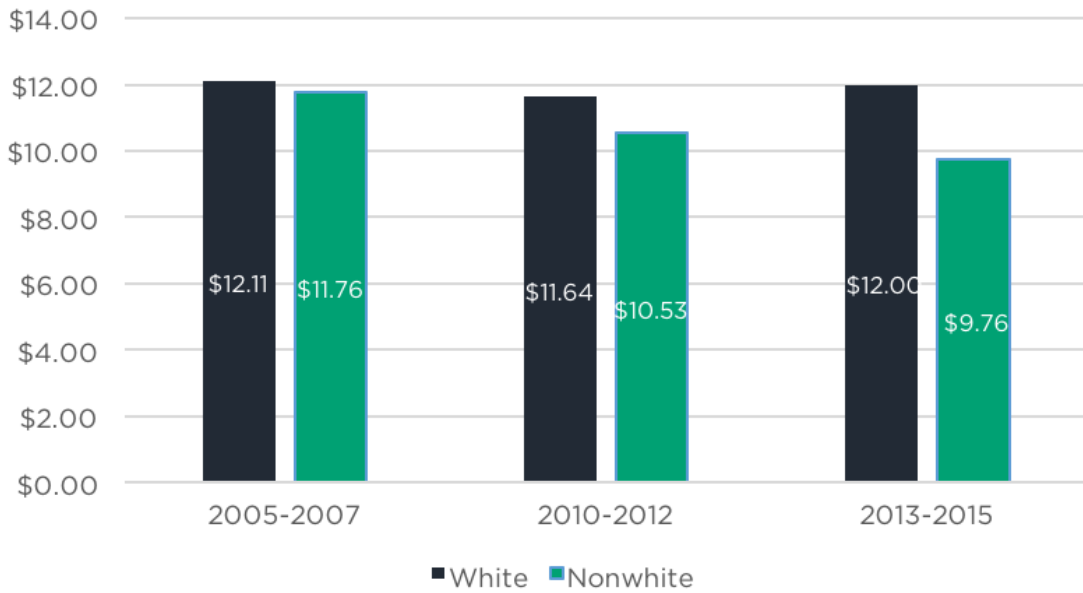


During the economic recovery, wages for youth of color in the Cleveland region fell relative to wages of white youth. While wages for young white workers remained relatively steady, wages for non-white youth continued to fall years into the recovery, widening the gulf. Compared to young white workers, young workers of color earned about 97 percent as much between 2005 and 2007 and 2007, and about 81 percent as much from 2013 to 2015.<sup>9</sup>

<sup>9</sup> Policy Matters Ohio analysis of CPS microdata, Cleveland MSA, pooled 2005-2007, 2010-2012, and 2013-2015.

**Figure 4**

**Median wages: workers age 18-29 by race before and after recession, and recent**



Source: Policy Matters Ohio, from ACS 2005-2007, 2010-2012, and 2013-2015. Public Use Microdata Areas covering Cleveland and portions of Cuyahoga County.



## Summary and recommendations

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Young Clevelanders are making substantial efforts in the labor market. They have consistently high labor force participation – higher than the workforce as a whole. They participate in higher education to a greater degree than their predecessors. Yet they continued to face high levels of unemployment and low wages well into the recovery. The considerable efforts of our young people are not being fully rewarded in the labor market. A tightening labor market had not reversed these trends by the most recent period; in fact, some were deepening despite improvements in the economy. Intervention is necessary.

Efforts now under way seek to skill up young people and match them with employers. The Ohio Means Jobs | Cleveland-Cuyahoga County (OMJ|CC) has received accolades for high job placement rates. The program partners with employers to help them access a well-prepared labor force, including entry-level workers with job training. To workers, it provides external supports that could help them move up a career ladder. Towards Employment provides these services to young workers, targeting those who have left or finished school.<sup>10</sup> The state's Comprehensive Case Management and Employment Program (CCMEP) uses public workforce and safety net dollars to train income eligible young people and match them with employers.<sup>11</sup> These efforts help workplaces to improve retention, decrease turnover, and lower recruitment costs. All need better funding and increased capacity.

More is needed to address structural problems that limit opportunity in the labor market and relegate some workers to the bottom, especially workers of color. OMJ|CC's "demand-facing approach" rethinks the Workforce Investment Board as a service provider for firms, and its clients as the product. That's a pragmatic response to a still troubled labor market. It works by reducing the costs businesses take on to find and train their workers. But while WIB's must work within the bounds of our labor market, more sweeping policy changes are needed to reshape the structure of the labor market itself.

For workers to get ahead and young workers to get the right start, we must implement both policies to boost hiring and rules that restore balance and fairness to our workplaces. Our youth workforce is learning and producing more than ever, but earning stagnant wages or being sidelined by unemployment. That's a market failure. We must strengthen labor demand and help workers to win higher wages and better jobs.

### Policy recommendations

**Pass a living minimum wage.** Implementing a carefully phased in statewide \$15 per hour minimum wage and eliminating the tipped sub-wage is a vital policy to ensure that everyone who works for a living can make it.

**Enforce anti-discrimination laws.** Wide race and gender disparities in earnings persist for young workers despite anti-discrimination laws. Disparities at this career stage where workers have comparable experience signal discrimination. More investigators are needed for better enforcement.

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<sup>10</sup> Cleveland-based Towards Employment targets job seekers age 18 to 29 who have left or finished school.

<sup>11</sup> The CCMEP combines funding from the Workforce Innovation and Opportunity Act (WIOA) and Temporary Aid for Needy Families (TANF). It serves job seekers through age 24.

**Develop workers and connect them to career pathways.** Support programs now providing young people the tools to develop skills and access good jobs with opportunities to grow. Opportunities include sector based programs such as Manufacturing Extension Partnerships; establishing industry recognized credentials and making them stackable; and supporting the community colleges that serve first generation students with adequate OCOG funding.

**Protect the safety net and work supports.** Young workers spend more time out of work despite substantial effort to get a job. Preserving unemployment compensation is vital. Restructuring safety net eligibility for SNAP and TANF to eliminate traps that disrupt eligibility could bring relief to young workers. The SNAP to Skills program that enables recipients to meet work requirements through training could reduce hunger and extreme poverty.

**Deepen public investments.** Ohio needs infrastructure investments ranging from basic road and bridge maintenance to public transit to sustainable energy. Making those investments is a great opportunity to create new jobs and put many young people to work.

## Conclusion

Young Clevelanders face challenges to getting decent jobs and moving up the career ladder, despite seeking work at much higher rates than the overall working age population. Youth of color face lower wages and higher unemployment than their peers. Because young workers face higher unemployment and underemployment in both good times and bad, they have a special stake in passing workforce policies that strengthen job markets. Workforce policies should recognize this greater risk, and account for the experience of young people.

# Appendix

Table 1		
Most popular job categories in Cleveland and Cuyahoga County among 18-29-year-olds		
		Median Salary
1	Restaurant & food service	\$ 10,013
2	Medical and hospitals	\$ 48,404
3	Colleges	\$ 27,204
4	Construction	\$ 33,310
5	Grocery stores	\$ 13,660
6	Elementary & secondary schools	\$ 34,665
7	Entertainment, gambling, and other recreation	\$ 7,560
8	Department and discount stores	\$ 11,496
9	Nursing	\$ 23,194
10	Retail clothing stores	\$ 12,259

*Source: Policy Matters Ohio, from ACS 2005-2007, 2010-2012, and 2013-2015. Public Use Microdata Areas covering Cleveland and portions of Cuyahoga County.*

Table 2		
Most popular job categories in Cleveland and Cuyahoga County		
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3	Elementary & secondary schools	\$ 34,665
4	Construction	\$ 33,310
5	Colleges	\$ 27,204
6	Insurance	\$ 50,041
7	Nursing	\$ 23,194
8	Banking & related finance	\$ 50,421
9	Grocery stores	\$ 13,660
10	Real estate	\$ 35,044

*Source: Policy Matters Ohio, from ACS 2005-2007, 2010-2012, and 2013-2015. Public Use Microdata Areas covering Cleveland and portions of Cuyahoga County.*

Table 3			
Aging industries			
Top 10 major industries by share of workforce age 45+			
		Share 45 and up	Median Salary
1	Exec & legislative administration	73.9%	\$ 35,295
2	Real estate	65.0%	\$ 35,044
3	Financial securities	64.4%	\$ 70,339
4	Elementary & secondary schools	61.8%	\$ 34,665
5	Manufacturing, unspecified	61.0%	\$ 29,232
6	Religious organizations	60.7%	\$ 20,025
7	Machinery manufacturing	60.7%	\$ 50,377
8	Motor vehicle equipment manufacturing	60.6%	\$ 41,002
9	Couriers and messengers	60.4%	\$ 31,039
10	Justice administration	59.7%	\$ 50,377

*Source: Policy Matters Ohio, from ACS 2005-2007, 2010-2012, and 2013-2015. Public Use Microdata Areas covering Cleveland and portions of Cuyahoga County.*

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