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Youth Disconnection during the COVID-19 Pandemic

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POLICY BRIEF

Youth Disconnection during the COVID-19 Pandemic

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BRIEF HIGHLIGHTS

- *The share of young people out of school and work (“the disconnection rate”) rose from 13.4 percent in February 2020 to a peak of 25.3 percent in April 2020, and has been declining since that time.*
- *The pandemic drove some individuals to disconnection, regardless of whether they were in school, at work, or already disconnected, but full-time workers saw the largest increase in transition to disconnection.*
- *The increase in the disconnection rate at the beginning of the pandemic was mostly driven by a reduction in full-time work (35 hours a week or greater).*
- *School enrollment fell at the end of 2020, suggesting that prospective students didn’t enroll and/or current students didn’t remain in school. The drop in school enrollment contributed to the overall persistence of the high disconnection rate.*
- *Schools provided an alternative option for young part-time workers, as they became more likely to enroll in school during the pandemic compared to the prepandemic period.*

For additional details, see the working paper at <https://research.upjohn.org/up-workingpapers/21-348>.

At the beginning of 2020, a deadly new coronavirus known as COVID-19 began to spread worldwide. This pandemic had a large negative impact on the economy and young people in the United States, as businesses were shut down to contain the spread of the virus and many schools moved to online learning. In this paper, we use data from the Current Population Survey to estimate the impact of the COVID pandemic on the youth labor market, with a focus on youth disconnection.

The term “disconnected youth” refers to a group of young people who are not in education or training programs, nor at work. In 2019, approximately four million young adults aged 18 to 24 years in the United States, or 13.8 percent, were reported to be neither in school nor at work, the lowest percentage in the past three decades. But the pandemic increased the disconnection rate dramatically—from 13.4 percent in February 2020 to 25.3 percent in April 2020. And although, controlling for seasonality, the disconnection rate began declining after April, as of December 2020 the rate was still 3.7 percentage points higher than it had been in December 2019.

The impact of the pandemic recession varied by what young people were doing prior to the pandemic. Individuals who worked full time were hit hardest, as the spike in the disconnection rate at the beginning of the pandemic was mostly driven by a reduction in full-time work (35 hours a week or more). Compared to the developing period of the Great Recession (2008–2010), when the unemployment rate increased dramatically, the pandemic recession has had a deeper impact on full-time workers: we see a larger increase in the transition from full-time work to disconnection during the pandemic.

The share of young adults working part time, conditional on not being in school, fell only slightly in April, then quickly rebounded to its original level. And while both full-time and part-time workers became more likely to go back to school during the pandemic compared to the prepandemic period, we observe a larger increase in the transition from part-time work to school.

Taken in total, school enrollment rates barely changed at the start of the pandemic, increased slightly during the summer, but started to fall toward the end of 2020. This decline in the overall school enrollment rate among young people contributed to the persistence of a high disconnection rate at the end of 2020. Perhaps most notably, we observe that those starting out from a point of disconnection did not benefit from a transition to the school system. This trend demonstrates another contrast to the 2007 recession and the recovery period that followed: between 2008 and 2010, we saw an increase in the transition from all states (part-time employment, full-time employment, school or training, and disconnection) to school, but this pattern has not yet been observed during the pandemic recession.

There have also been disparate effects based on race and gender. At first, the negative impact of the pandemic was larger for minority groups aged 18–24, regardless of gender. However, the gap between minority and white males has been closing, while the gap between minority and white females persists.

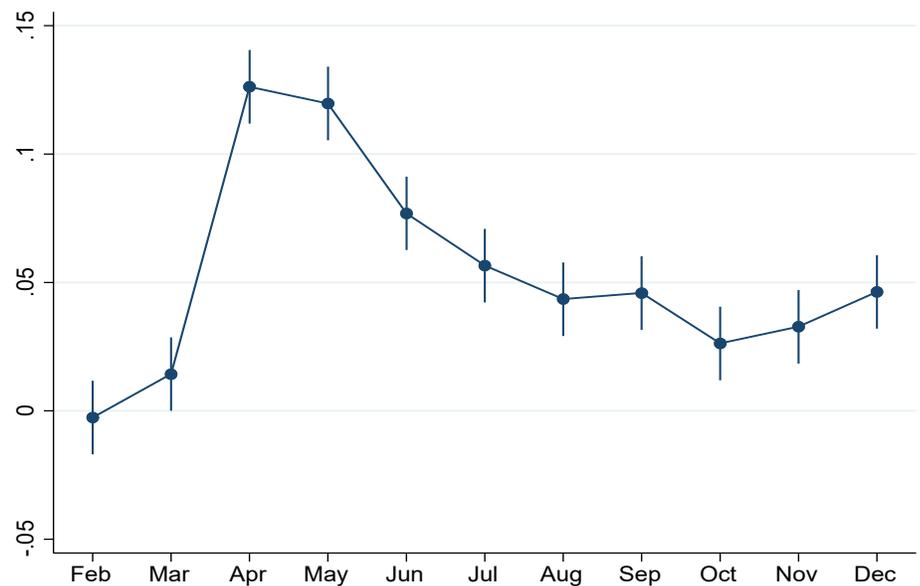
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Compared to the developing period of the Great Recession (2008-2010), when the unemployment rate increased dramatically, the pandemic recession has had a deeper impact on full-time workers: we see a larger increase in the transition from full-time work to disconnection.

The Impact of the Pandemic on Disconnection

Figure 1 plots the seasonally adjusted impact of the pandemic. The disconnection rate increased in April 2020 by more than 10 percentage points and gradually fell afterward. Then, starting in October, it began to increase again slightly. The higher disconnection rate suggests that during the pandemic, a large proportion of young people were derailed from their original plans and experienced difficulty transitioning into the labor market. To provide a more complete picture of the impact on young people, we examined the changes in shares of young people in school and at work.

Figure 1 Percentage of Young People neither in School nor at Work, 2020



NOTE: This figure shows the estimated impact of the pandemic on disconnection rate by month for the year 2020 for young people aged 18–24. In the estimation, we use data between 2015 and 2020 and control for seasonality and annual trends.

SOURCE: IPUMS-CPS, University of Minnesota.

On the next page, in Figure 2, Panel A plots the share of young people enrolled in school or training programs. Previous research suggests that young people use school options to shield themselves from bad labor market outcomes (Stange 2012). During the pandemic recession, however, school rates barely changed, except for a temporary increase during the summer months. In fact, school attendance started to fall after September.

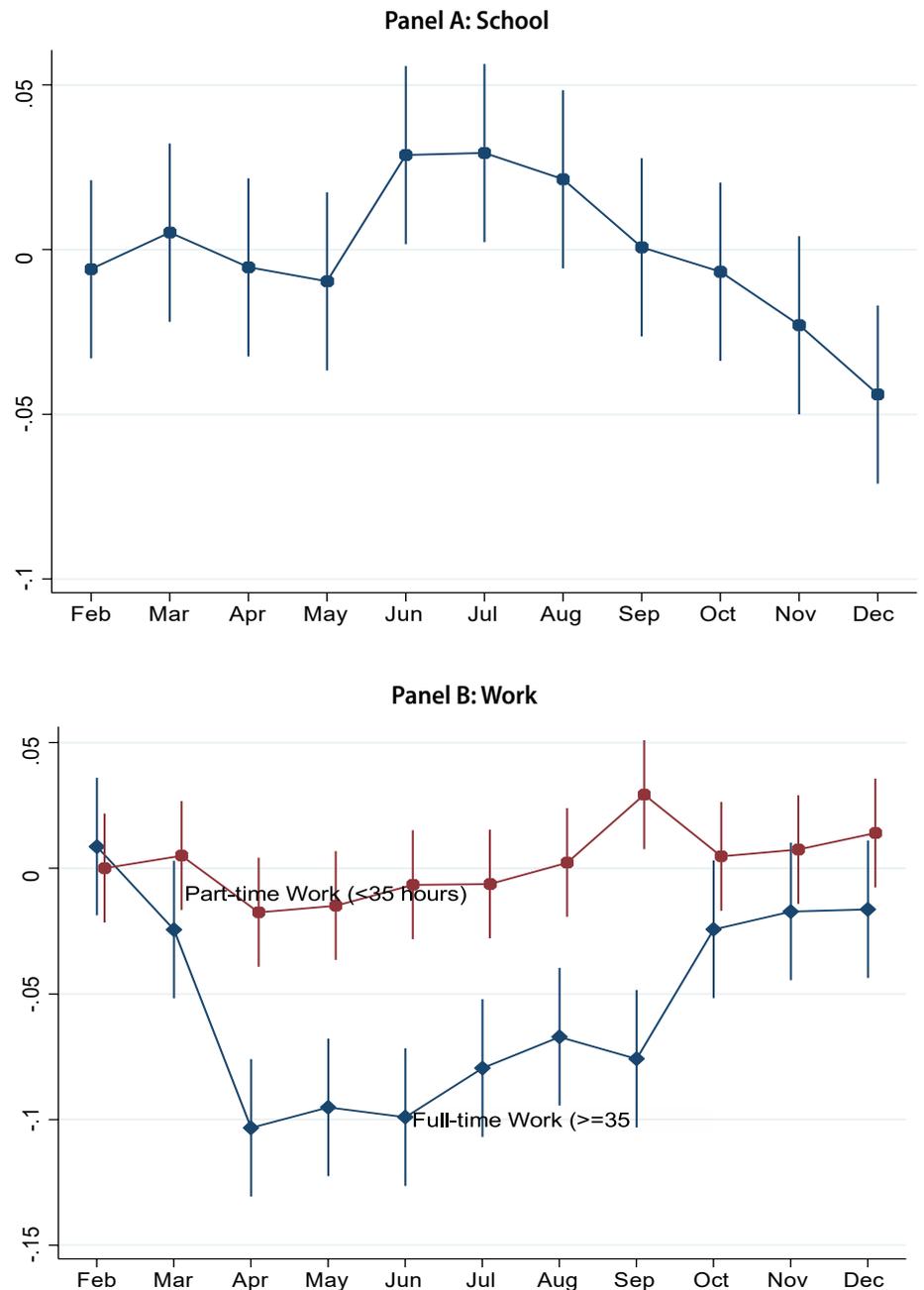
Panel B of Figure 2 shows the trends in work categorized into part time (< 35 hours/week) and full time (\geq 35 hours/week). The share of young people who worked part time remained stable. Specifically, the percentage of youth engaged in part-time work fell moderately in April, then gradually started to increase. Full-time work, however, did not follow the same trend. After accounting for seasonality, we find that the percentage of young people working full time dropped by 11.2 percentage points from February to April—with the actual share dropping from 33 percent in February to 22 percent in April—and that it stayed low during the summer and early fall. Taken as a whole, Figure 2 suggests that the increase in the disconnection rate at the beginning of the pandemic was mostly driven by a reduction in full-time work, but that, toward the end of 2020, the drop in school rates played an important role.

Transitions among Disconnection, School, Part-Time Work, and Full-Time Work

Table 1 shows how the impact of the pandemic varies by what a young person was doing prior to the pandemic, revealing compositional changes that are not observed

The higher disconnection rate suggests that during the pandemic, a large proportion of young people were derailed from their original plans and experienced difficulty transitioning into the labor market.

Figure 2 Percentage of Young People in School or at Work, 2020



NOTE: This figure plots the impact of the pandemic on the share of young people (18–24) in school (Panel A) or at work (Panel B) by month for the year 2020. For these two subfigures, we construct four mutually exclusive states: 1) full-time work, 2) school, 3) part-time work, and 4) disconnection. In the case of ties, we use the following ordering: full-time work > school > part-time work > disconnection.

SOURCE: IPUMS-CPS, University of Minnesota.

in the aggregate trends. We consider five mutually exclusive states: 1) disconnection, 2) school, 3) part-time work, 4) full-time work, and 5) not being interviewed in 2020 conditional on being interviewed in 2019. Panel A reports the one-year transition probability, estimated using the prepandemic period (2018–2019), and Panel B reports the impact of the pandemic (2019–2020).

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Full-time workers experienced an increase in the transition from full-time work to part-time work, while part-time workers experienced declines in transitioning to both types of work. This suggests that although the *share* of people working part-time did not change much, the composition *did* change.

Table 1 The Impact of the Pandemic on Young Workers Based on Their Prepandemic State

Starting state	End state				
	Panel A: 2018–2019				
	Disconn.	PT Work	School	FT Work	Missing
Disconn.	0.332 (0.013)	0.057 (0.006)	0.081 (0.007)	0.120 (0.009)	0.410 (0.014)
School	0.059 (0.004)	0.049 (0.004)	0.437 (0.009)	0.144 (0.006)	0.311 (0.008)
PT work	0.077 (0.010)	0.203 (0.014)	0.059 (0.008)	0.293 (0.016)	0.368 (0.017)
FT work	0.032 (0.003)	0.036 (0.003)	0.053 (0.004)	0.480 (0.008)	0.399 (0.008)
	Panel B: Impact of the Pandemic (2019–2020; percentage point/percent)				
	Disconn.	PT Work	School	FT Work	Missing
Disconn.	0.024 7.4%	–0.010 –17.6%	–0.005 –6.2%	–0.011 –9.4%	0.002 0.5%
School	0.019 32.6%	–0.001 –2.5%	–0.003 –0.7%	–0.040 –27.8%	0.026 8.4%
PT work	0.055 72.0%	–0.026 –12.8%	0.061 102.4%	–0.127 –43.3%	0.037 9.9%
FT work	0.039 124.3%	0.008 21.0%	0.008 14.2%	–0.068 –14.1%	0.013 3.3%

NOTE: Panel A shows the estimated transition probabilities using the 2018–2019 panel from the starting state, represented by rows, to the destination state, represented by columns. The numbers show what percentage, from among those individuals aged 18–24 who were in a given starting state, end up in each of the destination states. The numbers in the same row add up to 1.000 by construction. The missing category includes those respondents who were not reinterviewed and those respondents whose status was undetermined. Panel B shows the change in the transition probabilities from the 2018–2019 panel to the 2019–2020 panel. In both panels, we restrict the sample to those whose fifth-round interview was supposed to happen after April 2019 or April 2020 (and before December of each year). Percentage-point changes are reported in black, and percent changes are in blue. Delta-method-calculated standard errors are in parentheses.

SOURCE: IPUMS-CPS, University of Minnesota.

Though the nonresponse rate increased during the pandemic, we argue that the impact will not be large, because if we distribute the percentage points to the nonmissing states, the main observations that we discuss in this table do not change. With the caveat of data attrition in mind, the results suggest that the pandemic drives a proportion of individuals from all four starting states to disconnection. In percentage terms, full-time workers saw the largest transition into disconnection: whereas only 3.2 percent of individuals working full time in 2018 transitioned to disconnection in 2019, this percentage more than doubled in the following year. The impact of the pandemic on those who were already in disconnection appears to have been small.

Full-time workers also experienced an increase in the transition from full-time work to part-time work, while part-time workers experienced declines in transitioning to both types of work. This observation suggests that although the *share* of people working part time did not change much, the composition *did* change. Both types of workers became more likely to return to school during the pandemic compared to the prepandemic period, so school seemed to provide some level of protection for young workers. Those who started out from disconnection do not seem to have benefited from the school system.

Though the disconnection rate has been declining, the reduction in full-time work, the alternative online instruction arrangement, and the nonresponsive or even declining school enrollment rate can, in the long run, negatively affect young people's human capital accumulations and lifetime earnings.

Conclusion

During the COVID-19 pandemic, more young people stayed disconnected from the school system and the labor market. Though the disconnection rate has been declining, the reduction in full-time work, the alternative online instruction arrangement, and the nonresponsive or even declining school enrollment rate can, in the long run, negatively affect young people's human capital accumulations and lifetime earnings. It is important, therefore, to understand the needs of young people and formulate policies to support these young people to help them succeed.

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