

# The Human Capital Investment Gap

Understanding the Diminished Prospects  
of Disconnected Youth in Los Angeles

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## Introduction

Success in life and in the labor market is very closely associated with the human capital proficiencies of individuals. Decades of research by economists and others have found that those with more human capital lead longer, healthier, and happier lives and have much better success in the labor market than those who have less human capital. One of the major concerns about disconnected youth in Los Angeles is that these individuals stop developing their human capital at an early age—creating what could be a large human capital deficit that could have long-lasting and even life-time implications for decisions made as a teen or young adult. This paper is one of four short papers that we are preparing to examine the experiences of teen and young adults who are disengaged from school and work.

Human capital can simply be thought of as a variety of productive capacities developed by individuals over time that are valued by employers for use in the production of goods and service. Human capital refers to ability, knowledge, skills, and character traits that are developed in each of us in varying degrees over time. The value employers assign to human capital are reflected in the kinds of jobs, skill requirements, and behavioral traits in a job and manifest in the wages and benefits paid to workers who have the proficiencies required by the employer. Employers spend considerable resources to identify workers with the required traits and much of the recruitment, screening, and hiring efforts of employers—for-profit, non-profit, and in the government sector—are focused on identifying human capital characteristics and the productive potential of job applicants.

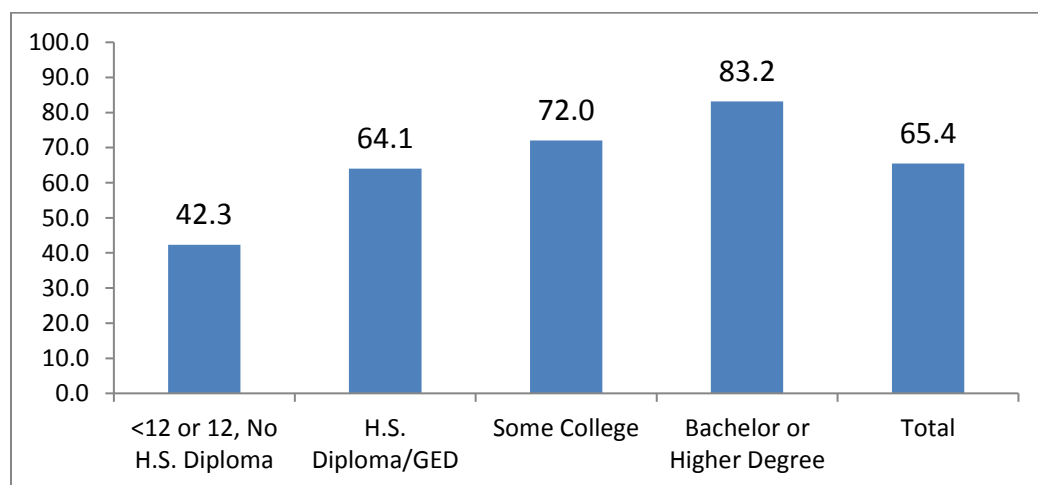
Teens and young adults primarily build human capital in school and in work. Formal schooling, especially at the secondary and post-secondary level, is focused on the development of basic skills like reading, writing, math, and problem solving as well as in developing knowledge of specific areas of understanding—often tied to particular occupational/career areas ranging from plumbing to physics. However, social-persuasive skills as well as character traits like self-discipline, dependability, and ethics can also be developed in school.

Work experience is also an important way for young people to develop human capital proficiencies valued by employers. In addition to developing occupational knowledge and improving basic skills, work experience also allows young people to develop behavioral characteristics and social-persuasive skills that are critical for labor market success.

Investments in the development of a person's stock of skills, knowledge, abilities, and work-related behaviors is referred to by economists as investment in human capital because spending (in cash and time) on the development of these attributes is akin to investment in physical capital. Acquiring physical capital requires a sacrifice in current consumption (think saving instead of buying) in anticipation of a higher future consumption from the stream of future benefits (returns) that physical capital is expected to generate. In the case of human capital, the investment occurs in the form of schooling and work experience, both activities result in an increase in the productive abilities or the stock of human capital of an individual. The labor market returns on this investment (in human capital) represent the stream of future benefits that primarily accrue in the form of higher levels of employment and earnings in the future.

Acquiring human capital through work experience for teens and young adults in the Greater Los Angeles region can be observed by simply measuring the chance that a young person, not enrolled in school, is working at a point in time. We combined monthly sample data from the Current Population Survey (CPS) for each month over 36 months in 2013 to 2015 for the metropolitan Los Angeles region to measure the average share of employed out-of-school teens and young adults in the area in a given month. The data reveal that just under two-thirds of all residents aged 16 to 24 who were out of school had a job in any given month over the three years between 2013 and 2015.

Chart 1: Employment to Population Ratio of the Non-Enrolled 16- to 24- Year-Old Population in Metropolitan Los Angeles, 2013-2015 Average



Source: U.S. Bureau of the Census, Current Population Survey Public Use Microdata, 2013, 2014, and 2015; tabulations by the Center for Labor Markets and Policy, Drexel University

However, findings in Chart 1 also reveal that the likelihood of being employed is closely and positively associated with educational attainment. Youth with higher levels of education were more likely to be employed. On average, just 42 percent of young high school dropouts in the region had a job during this period. But the share of employed youth jumps to 62 percent for non-enrolled high school graduates and to 82 percent for college graduates. Weekly wages as well as annual earnings of young employed residents of the region display a similar strong positive relationship with educational attainment.

Disconnected youth are disengaged from the two primary human capital building activities in which most youth are engaged—school and work. Both of these activities add to the long-term productive abilities of individuals. Individuals who are engaged in education are growing their stock of educational human capital. Individuals who are employed gain human capital in the form of work experience. Working in the labor market adds to the human capital stock of workers. Skills, knowledge and work place savvy—all components of human capital—are also acquired through work experience, even at very young ages.

A major hurdle to reengaging disconnected youth to school and work is that these youngsters started out with very low levels of human capital. Poor elementary and secondary schooling and little opportunity to work leaves these youngsters with human capital deficits. By age 18 when on-time high school graduation occurs for most youngsters, we find the disconnection problem already manifest, especially among high school dropouts, but even high school graduates with no work experience and few job prospects. The *One in Five* initiatives that have been in place in Los Angeles and its environs recognize the need to engage these youth in both schooling and the labor market—making investments in their human capital through employment as well as through education and training in an effort to raise their employability.

In this paper we examine the human capital characteristics and human capital deficits of 18- to 24-year-old teens and young adult residents of Los Angeles city, county, and metropolitan area, as well as the state of California and the nation, based on our analysis of the findings from the American Community Survey (ACS). The ACS survey differs from the CPS survey in some important ways. Our overall measure of youth disconnection and trends in disconnection rates over time utilizes CPS data as the CPS provides a more consistent and comparable data for longer-term trends in disconnection rates in the region. However, we use the ACS public use file

to measure the human capital deficits of disconnected youth since the ACS survey includes some questions that provide important insights into this issue, especially related to work experience, that are not included in the CPS questionnaire.

We have used three most recent years of ACS data (2012, 2013, and 2014) to yield a sample size large enough to produce high quality, statistically reliable measures of the job market activity and educational status of the 18- to 24-year-old resident population of Los Angeles city, county and metro area.<sup>1</sup> We have also presented some findings for youth across the state of California and the nation to provide a national context for our findings for city, county, and metro area youth.

## **Disconnection among the City's Youth**

About one in six 18- to 24-year-old residents of Los Angeles city were disconnected from school and work.<sup>2</sup> There were 66,400 disconnected youth in the city out of a total of 395,200 youth between the ages of 18 and 24 residing in households. The disconnection rate was higher among females than males; 17.6 percent versus 16 percent.

The disconnection rate of 18- to 24-year old youth in the Los Angeles County was marginally higher than their city counterparts (17.1% versus 16.8%). Sixteen percent of 18- to 24-year-old youth residing in the broader Los Angeles metro area, and 17 percent of their counterparts in the state of California were disconnected from school and work at the time of the 2012-2014 ACS surveys. The disconnection rate of male residents was lower than that of females in Los Angeles city, county, and metro area, and the state of California and the nation.

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<sup>1</sup> We have chosen to exclude 16- and 17-year-old youth as they have not had sufficient opportunity to accumulate human capital. Most are still enrolled in high school and would have had a period of just 1-2 years since they reached official working-age and had an opportunity to accumulate human capital from work experience.

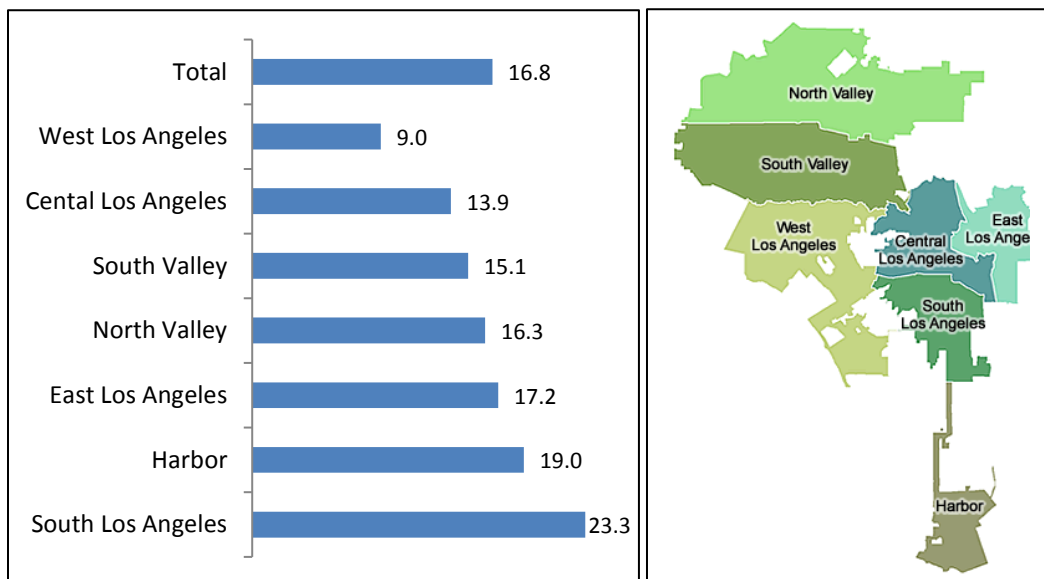
<sup>2</sup> The analysis in this paper is restricted household residents. Youth residing in group quarters—institutionalized as well as non-institutionalized group quarters—are excluded from the analysis in this paper. Youth in institutionalized group quarters (which for youth mostly comprise of correctional facilities) were excluded since not all residents of an institution represent permanent residents of the community in which it is located. Similarly, non-institutional group quarters were excluded from our analysis in this paper since not all residents of non-institutional group quarters (e.g., residence halls of colleges and universities) are permanent residents of the community in which the non-institutional group quarters are located. We have defined the Los Angeles metro area based on the 2013 OMB definition; consisting of Los Angeles County and Orange County.

Table 1:  
Number and Percent of 18- to 24-Year-Old Youth that were Out of School  
and Not Working at the time of the 2012-2014 ACS Surveys

	Total	Number Disconnected	Percent Disconnected	Total	Number Disconnected	Percent Disconnected
	Los Angeles City			Los Angeles County		
Total	395,256	66,411	16.8%	1,000,510	171,470	17.1%
Male	200,104	32,095	16.0%	511,048	85,895	16.8%
Female	195,152	34,316	17.6%	489,462	85,575	17.5%
	Los Angeles Metro Area			California		
Total	1,302,229	207,774	16.0%	3,709,984	643,629	17.3%
Male	666,202	104,717	15.7%	1,897,774	319,151	16.8%
Female	636,027	103,057	16.2%	1,812,210	324,478	17.9%

The ACS Public Use Microdata Samples (PUMS) data files provide information on the place of residence of respondents. However, in order to protect confidentiality of respondents, the geographic detail regarding the place of residence on the ACS PUMS data files is limited to areas with a population of at least 100,000. These areas are called Public Use Microdata Areas (PUMAs). The ACS PUMS data files identify 24 separate PUMAs within the city of Los Angeles. Using these 24 PUMAs we have divided the city into seven sub-city areas representing the seven planning commission areas.

Chart 2:  
Percent of 18- to 24-Year-Old Residents of Los Angeles Area Planning Commissions who were  
Out of School and Out of Work at the time of the 2012-2014 ACS Survey



The share of disconnected youth varied widely across the seven areas in Los Angeles city. The highest rate of disconnection was among 18- to 24-year olds residing in South Los Angeles. Almost one in four youth in this section of the city were disconnected from school and work. In contrast, West Los Angeles had a youth disconnection rate of just 9 percent. Nearly one in five youth in the Harbor area was out of school and work. Disconnection rates in East Los Angeles and North Valley were close to city average while the Central Los Angeles planning commission area had a youth disconnection rate of 14 percent.

## **Measuring the Human Capital Deficit**

We examine the human capital characteristics of the 18- to 24-year-old population in Los Angeles using three key measures available in the ACS PUMS files: formal educational attainment, current labor force status, and prior work experience. Using these three measures we compare the human capital traits of disconnected youth with those of their counterparts who during these critical years are engaged in a variety of human capital development activities. Each of these three measures is described below:

- The level of formal educational attainment measures the level of educational human capital of youth associated with additional years of schooling and diploma and degree attainment.
- The current labor status allows an examination of the labor market engagement of young people in the area. Disconnected youth are (by definition) not currently employed. However, these young people may still be engaged in the labor market by continuing to look for a job even though they are not working. An examination of the current labor force status of disconnected youth provides insight into the level of their current engagement in the labor market; that is, whether they are available for employment and are choosing to remain engaged in the labor market by looking for a job, or whether they have quit the labor force entirely.
- Our third measure of engagement in the development of human capital involves an examination of the work experiences of disconnected youth. This measure sheds light on the past work experiences of youth and the length of time that they may have been disengaged from the labor market.



We begin the paper with a brief examination of the size of the disconnected youth population in each of these areas: Los Angeles city, Los Angeles County, Los Angeles metro area, and California. This is followed by an examination of the human capital traits among disconnected youth with a comparison to the human capital traits of their counterparts who were engaged in school and/or work (we will refer to this group as ‘connected’ youth). This comparison will shed light on the size of the gap in human capital traits between the two groups of youth. This difference is a measure of the human capital deficit of disconnected youth compared to connected or engaged youth. The analysis will provide insights into the level of education and training efforts that will be required to build the productive abilities of disconnected youth to raise their odds of success in the labor market—now and in the future.

### **Human Capital: Educational Attainment**

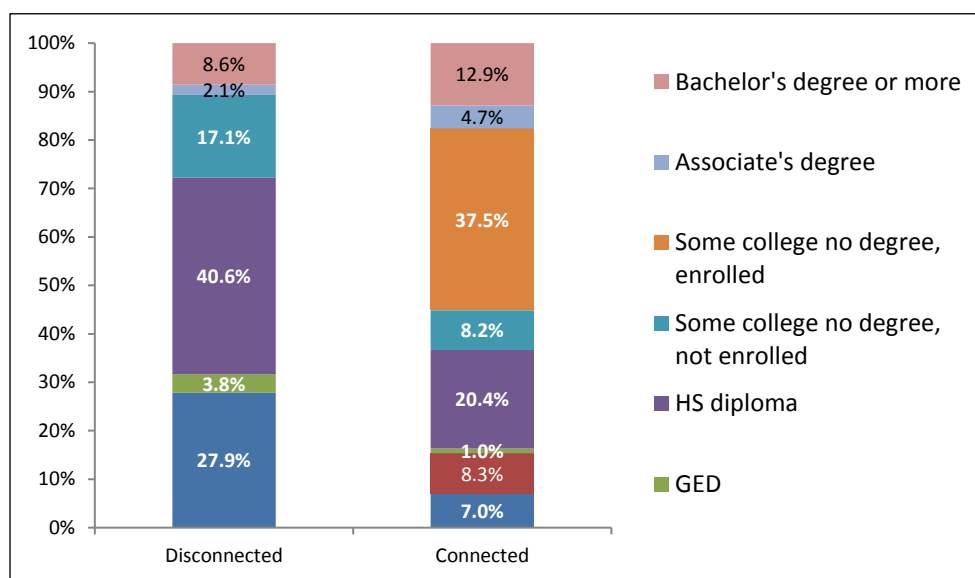
Human capital among young people is primarily acquired through formal schooling. Long before they enter the labor market, most young people are engaged in formal schooling in elementary, middle, and high school and about two-thirds of those who graduate high school immediately extend this trajectory of formal schooling into college. Although schooling is the primary life activity in which the majority of teens and young adults are engaged, a substantial share of young people also engage in the labor market; sometimes combining work with school or simply working without attending school.

A look at the educational attainment of the young residents of Los Angeles reveals sharp differences between the educational attainment of disconnected youth and their counterparts who were engaged in work or school. Disconnected youth had considerably lower levels of educational attainment than youth who were connected with work and/or school.

On average in 2012-2014, nearly 28 percent of disconnected youth in the city had failed to complete high school. In contrast, youth who were connected to school and/or work were considerably less likely to have dropped out of school without a high school diploma. Only 7 percent of the city’s connected youth had dropped out of high school without graduating and another 8 percent had not graduated from high school but were still enrolled in high school. Disconnected youth were much more likely to have completed their high school education with a GED, 4 percent versus 1 percent (Chart 2).

At the upper end of the educational distribution, 63 percent of connected youth had completed some college education including 13 percent who had earned a bachelors or a higher level degree and 5 percent who had earned an associate's degree. In contrast, only 28 percent of

Chart 2:  
Percentage Distribution of 18- to 24-Year-Old Disconnected and Connected Youth by Educational Attainment at the time of the 2012-2014 ACS Surveys, Los Angeles City



the city's disconnected youth had completed some postsecondary education; consisting of 8.6 percent with a bachelor's or higher degree and 2 percent with an associate's degree. A majority of connected youth who had completed some college education below the associate's degree continued to engage in their college education. Nearly 38 percent of connected youth had remained enrolled in college and only 8 percent had quit college without a degree.

Educational gaps between disconnected and connected youth were also quite large in Los Angeles county and Los Angeles metropolitan area. In Los Angeles county, over one-quarter of 18- to 24-year-old disconnected youth were high school dropouts compared to 6 percent among connected youth; 11 percent of connected youth had a bachelor's or higher degree and another 52 percent had completed some college education under a bachelor's degree level compared to 7 percent and 21 percent, respectively among youth residing in Los Angeles county who were in school and/or work. Young disconnected residents of the entire Los Angeles metropolitan area have similarly large educational deficits compared to their counterparts who are engaged in school and/or work (Table 2).

Table 2:  
Percentage Distribution of 18- to 24-Year-Old Disconnected and Connected Youth by  
Educational Attainment at the time of the 2012-2014 ACS Surveys, Los Angeles County and  
Metro Area

	LA County		LA Metro Area	
Educational Attainment	Disconnected	Connected	Disconnected	Connected
Total	171,470	829,039	207,774	1,094,454
HS Dropout	26.0%	5.6%	25.4%	5.2%
Enrolled in HS	0.0%	8.2%	0.0%	7.7%
GED	4.0%	1.0%	4.2%	1.0%
HS Diploma	42.2%	22.3%	42.3%	22.0%
Some college or associate's	20.5%	51.9%	20.5%	52.6%
Bachelor's or more	7.2%	11.0%	7.6%	11.4%

Across the state of California as well as the nation, youth who were disconnected from school and work had similarly large educational deficits compared to their 18- to 24-year old counterparts who are connected with school and/or work (Table 3).

Table 3:  
Percentage Distribution of 18- to 24-Year-Old Disconnected and Connected Youth by  
Educational Attainment at the time of the 2012-2014 ACS Surveys, California and the U.S.

	California		U.S.	
Educational Attainment	Disconnected	Connected	Disconnected	Connected
Total	643,630	3,066,355	4,817,601	23,255,589
HS Dropout	23.3%	4.9%	24.7%	4.6%
Enrolled in HS	0.0%	7.7%	0.0%	8.7%
GED	4.8%	1.3%	7.3%	2.3%
HS Diploma	44.1%	23.0%	42.6%	24.1%
Some college or associate's	21.9%	52.6%	20.5%	48.2%
Bachelor's or more	6.0%	10.6%	4.9%	12.1%

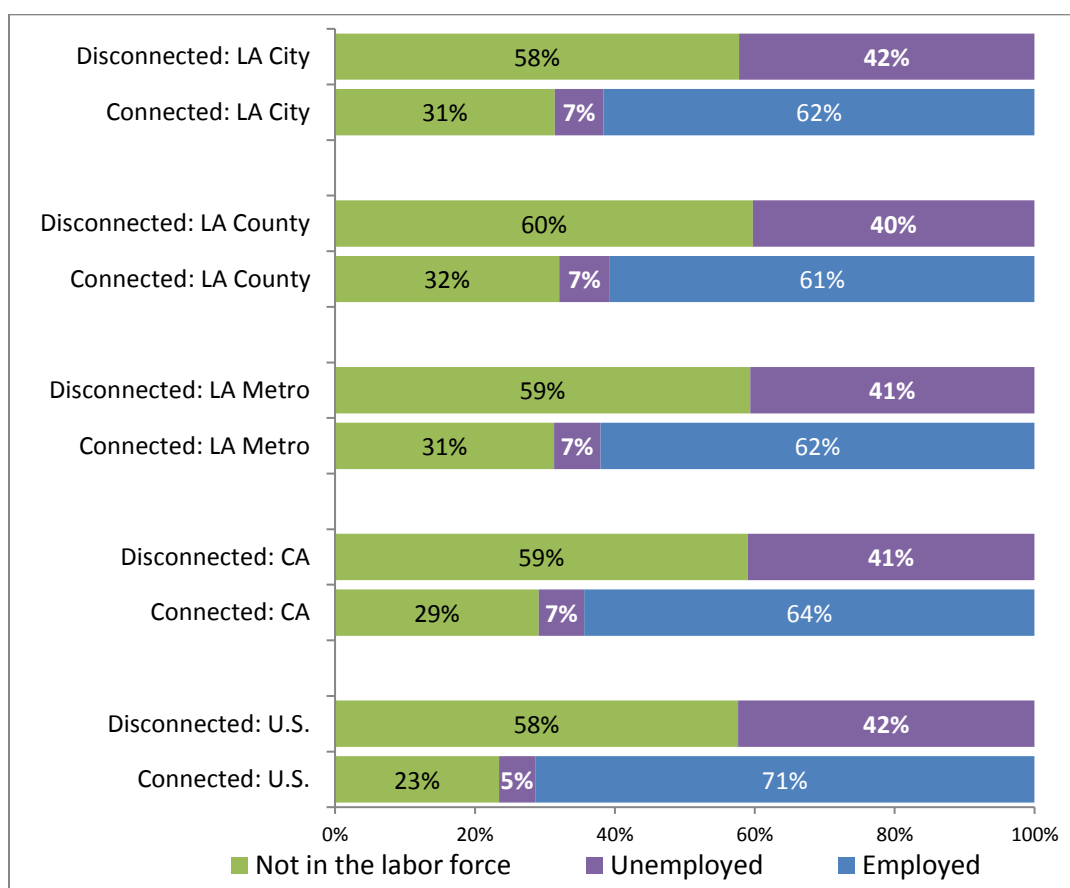
### **Human Capital: Current Labor Market Status**

An examination of the labor force status of the 18- to 24-year-old residents of Los Angeles at the time of the ACS survey indicates that disconnected youth were considerably more likely to have stopped their efforts to supply labor than their connected counterparts residing in the city. Nearly six out of ten disconnected youth (58%) in Los Angeles city had quit the labor force; that is, at the time of the ACS survey they were not employed and were not actively

looking for a job. In contrast, the share of the city’s connected youth —those who were engaged in school and/or work—who were out of the labor force at the time of the ACS surveys was only about half that of their disconnected counterparts, 31 percent versus 58 percent.

The remaining 42 percent of the city’s disconnected youth were unemployed—not working but actively engaged in looking for work—at the time of the ACS survey. Among the city’s connected youth, only 7 percent were unemployed (not working but looking for work) and the remaining 62 percent were employed at the time of the ACS surveys (Chart 3). Disconnected youth by definition were not employed at the time of the ACS surveys.

**Chart 3:**  
Percentage Distribution of 18- to 24-Year-Old Disconnected and Connected Youth by Labor Force Status, at the time of the 2012-2014 ACS Surveys, Los Angeles City, County & Metro Area, California, and the U.S.



Labor market engagement at the time of the ACS surveys was very weak among disconnected youth especially when compared to their counterparts who were engaged in school and/or work. Despite their engagement in schooling activities, connected youth show a much stronger engagement in the labor market. Indeed, some observers argue that work and schooling are strong complements in the development of human capital. Engagement in the labor market even in the form of job search among unemployed youth is a positive activity as it increases their likelihood of finding a job or getting on a pathway to a job through training. Quitting the labor market entirely removes these pathways to employment and pulls these youth further away from the labor market, sharply reducing their chances of future engagement in the labor market.

Disconnected youth in each of the four remaining areas (LA County, LA metro area, California, and the U.S.) also had similarly large labor force exit rates. LA County, LA metro area and California, statewide had 59 to 60 percent of disconnected teens and young adults withdrawn from engagement in the labor market. Employment rates of connected youth ranged from 61-62 percent in LA city, LA county, and the LA metro area; 64 percent in California, but were substantially greater in the nation averaging 71 percent over the 2012-2014 period.

### **Human Capital: Past Work Experiences**

Another measure of human capital that we have utilized to measure the size of the human capital deficit of disconnected teens and young adults in Los Angeles is past work experience. The previous discussion of the current labor market activities presents data on the labor force status of connected and disconnected teens and young adults at a point in time. This means that even though disconnected youth were not working at the time that the ACS survey was administered during a given month, they could have worked during the past year or even at some at some point prior to that depending on their age.<sup>3</sup>

Knowledge of past work experience can shed light on past human capital development activities of teens and young adults through work experience. Many economists believe that employment is path dependent; that is, the chance of being employed in a current time period is

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<sup>3</sup> The working-age population measures used in most labor force surveys defines the potential population that could engage in the job market at those who are aged 16 and older. Persons under the age of 16 are not included within the scope of the labor force measures included in official labor statistics publications and press releases including the monthly Employment Situation report prepared by the U.S. Bureau of Labor Statistics that includes the monthly measure of U.S. unemployment rates that are derived from the CPS program.

closely associated with employment in the past. More work experience in the past means a better chance of employment today and tomorrow.

In order to understand the extent to which teens and young adults have had the chance to work in the past we have used responses to a question on the ACS survey about work activities in the past.<sup>4</sup> Based on data gathered from this question we have distributed disconnected and connected youth into the following three groups based on the last time that they had worked even for a few days: i) those who had last worked during the past year, ii) those who had last worked 1-5 years ago, and iii) the remaining who had last worked over 5 years ago or have never worked.

Findings are presented in Chart 4 and reveal that disconnected youth in Los Angeles city and the entire metro area have dismaying history of weak labor market attachment. Only 26 percent of the city's disconnected youth had worked one or more weeks during the year prior to the survey; and the remaining three-quarters of the city's disconnected 18- to 24 year-old population had not worked a single week during the entire year. Among connected youth in the city, the work rate during the calendar year (2011-13 average) was 69 percent; a stunning 2.5 times higher incidence of recent work experience found among disconnected youth. One-sixth of disconnected youth in the city compared to just 5 percent of their connected counterparts had last worked 1-5 years ago.

Perhaps the most troubling finding is that the majority of the city's disconnected youth (57%) had either last worked more than 5 years ago or had never worked before. In comparison the share of connected youth who had never worked or had a 5+ year gap since their last employment was half that proportion; 23 percent. Combined with low levels of educational attainment, this work experience gap between connected and disconnected young adults in Los Angeles foreshadows the potentially very large gap in life and career options and employment and earnings experiences between these two groups of teens and young adults.

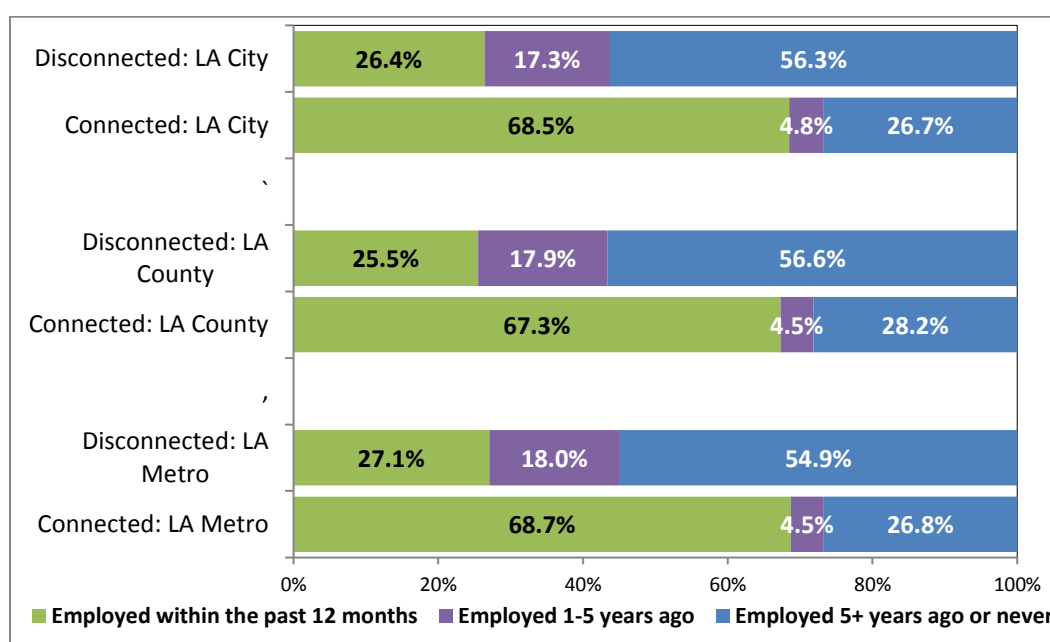
Past work experience gaps between disconnected and connected youth were also quite large among youth who lived in Los Angeles County and the Los Angeles metropolitan area. Just one-quarter of LA County disconnected youth had last worked during the past 12 months; 18

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<sup>4</sup> Specifically all working-age (16 years or older) respondents to the ACS survey are classified into three groups based on their past work experience: those who had last worked within the past 12 months, within 1-5 years, and 5 years ago or never worked.

percent had last worked 1-5 years ago and 57 percent had not worked in the past 5 years or had never worked before. Findings for the LA metropolitan region were also quite similar. Like the city and the county, the metro region had large gaps between the connected and disconnected youth population that had worked in the last year. In all three areas connected youth were about 2.6 times more likely to have worked in the past 12 months than their disconnected counterparts.

**Chart 4:**  
Percentage Distribution of 18- to 24-Year-Old Disconnected and Connected Youth by the Last Time that They had Worked, 2012-2014 ACS Averages, Los Angeles City, County & Metro Area



Accumulation of work experience is determined by more than just whether an individual was employed. It is also determined by the intensity with which the person was employed—the number of hours of work per week or year. The ACS survey provides data on weekly hours of work and annual weeks of work among those who were employed during the past 12 months.

Using these data we have computed the mean weekly hours, mean annual weeks, and mean annual hours of employment among disconnected and connected youth who had worked at any time during the 12 months prior to the survey. Sadly, we found that even when disconnected youth did work at some point in the past year they had worked much less than connected youth. The hours and weeks of work of disconnected youth who had worked during the past year were much lower than that of connected youth.

During a given spell of employment, disconnected young people did work about the same number of hours of work per week. The mean weekly hours of disconnected and connected youth in the city were about the same; 31 hours of work per week among the city's disconnected and connected youth who were employed within the past 12 months. However, the mean weeks of work during the entire year were very different between the two groups of youth—on average a disconnected youth who had worked during the past year was employed for 23 weeks during the year; much lower than the average of 38 weeks of employment among connected youth (who were engaged in school and/or work).

Table 3:  
Mean Weekly Hours, Annual Weeks, and Annual Hours of Work during the Past Year Among  
18- to 24-Year-Old Disconnected and Connected Youth who were Employed for At Least One  
Week During the Past Year, 2012-2014 ACS Averages

	Disconnected Youth	Connected Youth	Ratio (Disconnected/Connected)
<b>Los Angeles City</b>			
Mean Weekly Hours	28.8	31.0	0.93
Mean Annual Weeks	23.4	39.0	0.60
Mean Annual Hours	716	1,269	0.56
<b>Los Angeles County</b>			
Mean Weekly Hours	29.4	30.0	0.98
Mean Annual Weeks	22.4	39.1	0.57
Mean Annual Hours	707	1,234	0.57
<b>Los Angeles Metro Area</b>			
Mean Weekly Hours	29.5	29.7	0.99
Mean Annual Weeks	22.5	39.0	0.58
Mean Annual Hours	709	1,220	0.58

Over the entire year, the mean hours of work among disconnected youth who had worked in the past year was 747 hours; less than 60 percent of the mean annual hours of work among the city's connected youth who had worked an average of 1,258 hours during the past year. Therefore, not only are connected youth 2.5 times more likely to have worked in the preceding year, but when they worked they did so more intensively; working 1.8 times as many hours during the year than their disconnected counterparts.

Findings in Table 3 reveal similarly large gaps in work intensity between disconnected and connected youth in Los Angeles County and the metropolitan region as a whole.



## Summary and Conclusions

One in six young adults between the ages of 18 and 24 who lived in Los Angeles city were out of school and out of work at the time of the ACS survey (2011-2013 average). Within the city, disconnection rates were as high as 23 percent in South LA. In contrast the West LA area had a well below average disconnection rate of just 9 percent.

The human capital deficits—educational human capital as well as work experience and engagement in the labor market—among Los Angeles city’s disconnected youth are sizable. Disconnected youth have much lower levels of formal educational attainment than youth who were connected to school and/or work. Nearly 30 percent of the city’s disconnected youth had dropped out of school without a diploma or a GED, compared to just 7 percent of their connected counterparts.

Work experience human capital deficits were also sizable among the city’s disconnected youth. Nearly 60 percent of the city’s disconnected youth were not even looking for work at the time of the ACS survey and had quit the labor force entirely. A look at past employment experience reveals a very poor employment history among disconnected youth. Over half (56%) of the city’s disconnected youth had last worked more than 5 years ago or had never worked before and another 18 percent had last worked 1-5 years ago. Only about one-quarter of the city’s disconnected youth had last worked during the 12 months prior to the ACS survey.

Among those who had worked during the past year, the intensity of work—hours and weeks of work—was much lower among disconnected youth compared to youth who were engaged in school and/or work. Among the one-quarter of the city’s disconnected youth who did work in the prior 12 months, their hours of work were much lower than their connected counterparts—including those who were also enrolled in school. Disconnected youth who worked in the prior year were employed on average for only less than half a year, just 23 weeks. Disconnected young residents of the city who did work were able access only about 60 percent of the annual hours of work obtained by their connected counterparts—further contributing to an already enormous gap between the two groups of young people in the chance of developing human capital proficiencies through on the job training and experience.

The city of Los Angeles has been able to make important strides in reducing the disconnection rates of its teen and young adult residents. Continuing this progress is very

important since, as this paper reveals, the human capital deficits of disconnected youth compared to their counterparts engaged in work and schooling are very large. Large human capital deficits will translate into large gaps in life outcomes including family formation, anti-social behavior, and especially long-term employment and earnings experiences.

Efforts to re-engage disconnected youth with school and work will be met with the sizable education and work experience (human capital) barriers that will need to be bridged before disconnected youth are ready to engage in the labor market. The deficit in work experience human capital among disconnected youth also means that these youth have not been able to develop the behavioral traits and soft skills that are found to be extremely important to labor market entry and labor market success.<sup>5</sup> Our findings suggest that not only is re-connection to school an important effort to bolster the prospects of the disconnected young people in Los Angeles, but efforts to provide improved employment experiences for these youngsters is likely to be a key ingredient in building better pathways for young people in Los Angeles. Efforts in the city to engage employers are a key part of any strategy to alter the existing pathway toward disconnection and the social and economic pathologies that often characterize the life of young people who are adrift from work and school.

The economic recovery has finally expanded into the labor market as the nation has been posting sizable employment gains each month for the past year and a half. The ratio of unemployed workers to job seekers has fallen from nearly 7 unemployed persons per job opening to 1.4 unemployed persons per job opening; a level of labor market supply-demand balance not seen in the nation since 2007.

The nation's youth labor market is also showing signs of recovery with youth (16-24) employment rates rising, albeit slowly, from 45.6 percent in the labor market trough (2010) to 48.9 percent in 2015. In California, the youth employment rate has increased from 35.9 percent in 2010 to 41.2 percent in 2015. In the city of Los Angeles, youth employment plummeted from 51 percent before the recession in 2007, down to 38.5 percent in 2010 with continued decline through 2012 when only 35.6 percent of the city's youth were employed. The city's youth labor market has seen some improvement with the employment rate reversing its decline in 2013 and

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<sup>5</sup> Paul Harrington and Nancy Snyder, *Signaling Success: Boosting Teen Employment Prospects*, Commonwealth Corporation, Boston MA, April 2013; Neeta Fogg, Paul Harrington, and Anja Petrovich, *Building Blocks of Labor Market Success: Evidence from O\*NET Job Analysis Surveys*, Commonwealth Corporation, Boston MA, April 2013.

rising to nearly 38 percent in 2015. Improvements in the labor market, particularly the youth labor market present increased opportunity to re-engage disconnected youth in the labor market.