OPPORTUNITY INSIGHTS
ECONOMIC TRACKER

Lifetime Earnings Effects of the COVID-19 Recession for Students

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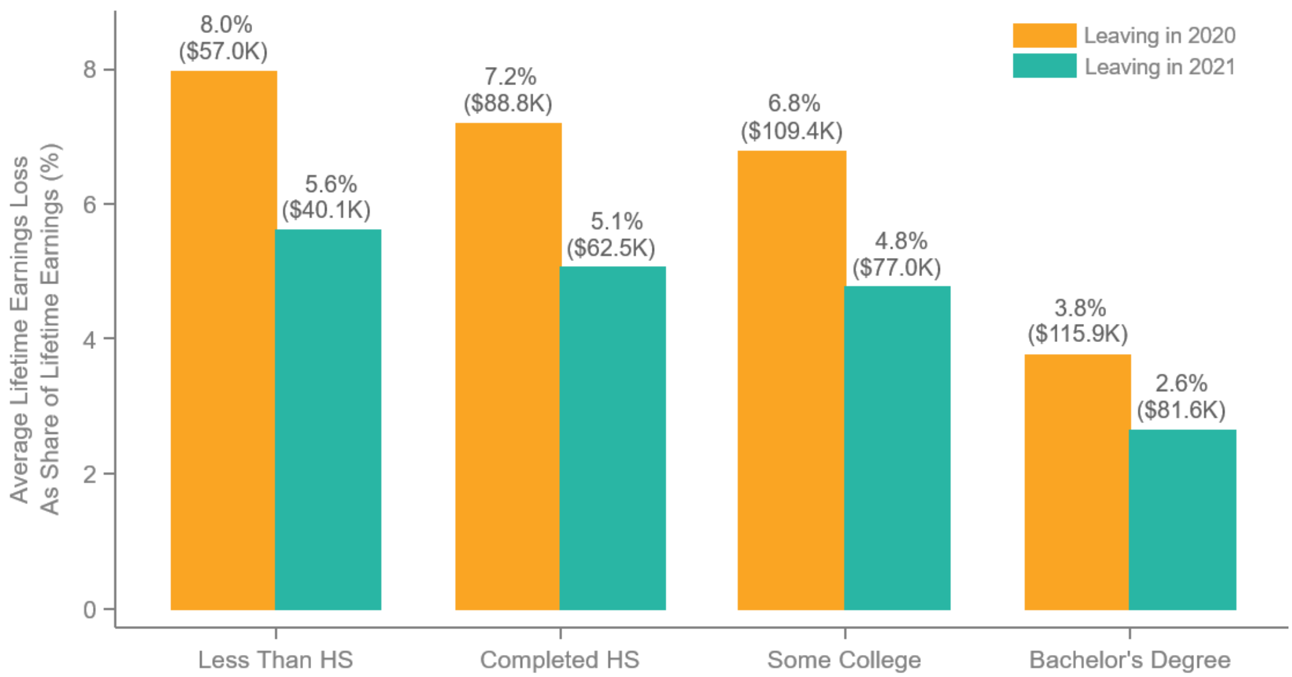
We use data from the Opportunity Insights Economic Tracker combined with survey data[1] to measure effects of the COVID-19 recession on lifetime earnings of new workers leaving school in these years.

Historically, students who enter the labor force during a recession face long-lasting reductions in earnings, a phenomenon known as "scarring."[2] We project these patterns to estimate the total lifetime earnings effects for students leaving school during 2020 and 2021. As shown in the figure below, graduates entering the labor market directly from high school in these years will have average income losses of 7.2% and 5.1% across their lifetime ($88.8K and $62.5K respectively). Similarly, college graduates entering the labor force in these years are likely to face total lifetime earnings losses of 3.8% and 2.6% ($115.9K and $81.6K) respectively. Students who left college without a degree experienced losses nearly twice those of graduates. Although the dollar impact is lower than the other groups, students who leave high school without a degree in these years face the largest proportionate loss in earnings.[3]

STUDENTS LEAVING SCHOOL AND ENTERING THE LABOR MARKET DURING THE RECESSION WILL EXPERIENCE LASTING WAGE LOSSES



Data Source: Opportunity Insights Economic Tracker, ACS, and SIPP

Although the recession has impacted both new and existing workers, the stimulus payments and enhanced unemployment benefits during 2020 and 2021 have offset a large share of the losses for existing workers. In contrast, workers just entering the labor force have benefited less from these transfers. Combining the direct effect of the recession on earnings, increased transfers, and long-term scarring, student borrowers first entering the labor market in 2020 and 2021 appear to be in one of the most vulnerable positions -- while all student borrowers will suffer an average of $5,400 in losses, this figure is substantially larger at $12,400 for borrowers in their 20s.

Our analysis suggests that student debt relief, workforce training, and other assistance should be focused on young people leaving school and entering the labor market. This approach will address the pronounced needs of an often overlooked group and will be important for closing longer-term opportunity gaps.

1. Taken from the Survey of Income and Program Participation (SIPP) and the American Community Survey (ACS).
2. Kahn, Labour Economics, 2010. Schwandt and von Wachter, Journal of Labor Economics, 2019.
3. This estimate does not include high school graduates entering college.

ABOUT OPPORTUNITY INSIGHTS

Opportunity Insights is a non-partisan, not-for-profit organization located at Harvard University that seeks to translate insights from rigorous, scientific research to policy change by harnessing the power of "big data" using an interdisciplinary approach.

Requests for additional information on the data or technical questions can be directed to info@opportunityinsights.org.

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