

Why JA? And Why Now?



A Response to the Uncertainty and Inequity Facing Gen Z



Growing Up in a Time of Uncertainty

The economic fallout from the COVID-19 crisis has impacted everyone. But it has been particularly challenging for women,¹ African-Americans and Hispanics,² those lacking education beyond high school,³ and, most notably, the young.⁴

Generation Z, including the class of 2020, has been dubbed the “Pandemic Generation,”⁵ and the “Lockdown Generation.”⁶ This is due to the sudden and



dramatic decline of economic opportunity for those graduating high school and college amidst a historic pandemic. There are already concerns that if something isn’t done to bolster its prospects soon, Generation Z is at risk of becoming a “lost generation,” ill-prepared to achieve its potential in a world that is already challenging to navigate for the young.

Confronting Inequity

At the same time, economic inequity has been a reality in the U.S. throughout its history, but it continues to this day. For instance, research by the Organization for Economic Cooperation and Development shows the U.S. has the highest income inequality among G7 nations.⁷ Despite a narrowing of income and wealth gaps in recent decades, there continue to be vast disparities, especially between white and black households. For example, in 1970, there was a 78 percent gap in income between white and black households. And even though that gap marginally improved over time, it was still 64 percent as of 2018. A 2020 study by the Brookings Institution also shows that the median net worth of white families in America is ten times greater than that of black families.⁸ Other research shows that the overall wealth gap more than doubled between America’s richest and poorest families between 1989 and 2016.⁹



¹ *Women suffering steeper job losses in COVID-19 economy*, The Hill, May 25, 2020

² *African Americans bear the brunt of Covid-19’s economic impact*, The Guardian, April 28, 2020

³ *Fed warns more cash is needed as US figures reveal widening inequality*, The Guardian, May 13, 2020

⁴ Pew Research Center, June 2020

⁵ The National Center for Disaster Preparedness, Earth Institute, Columbia University, May 12, 2020

⁶ UN News, May 27, 2020

⁷ Pew Research Center, February 7, 2020

⁸ *Examining the Black-white Wealth Gap*, Brookings Institution, February 27, 2020

⁹ Pew Research Center, February 7, 2020

At this moment, this generation’s perceptions of our country and what it stands for are being shaped in ways that will define their entire lives. The question is, will those perceptions be of hope, opportunity, and unlimited possibilities? Or will they be something else entirely.

To ensure the former, this means addressing the uncertainty and inequity in our country. Undoubtedly, there are substantial systemic changes that need to happen that



are beyond the mission of an organization like Junior Achievement. These changes need to occur on the legislative, legal, and policymaking fronts, and they appear to be taking place. The hope is these changes will once and for all eliminate structural barriers to progress for everyone aspiring to reach their potential in this country.

That said, these changes will only make a difference if people are prepared to make the most of them. Knowledge is power,

and Junior Achievement’s proven approach will give Generation Z that power in the form of financial capability, career and work readiness, and entrepreneurship. These skills will not only improve their lives but will bolster their families, their communities, and our nation.

Why It’s Critical to Act Now

The question might arise, “Why focus on young people when adults are struggling today?” This is not an “either/or” situation, but an “and/+” one. As a nation, we need to provide relief to individuals and families adversely impacted by current circumstances. But we also need to take time today to prepare for a better tomorrow. Many of the challenges we are facing today are generational issues that have been ignored or pushed down the road over decades. Additionally, recent history demonstrates the price of not adequately engaging an emerging generation in times of crisis.



Two of the most profound events to affect Millennials were 9/11 and the Great Recession. Like what Generation Z is currently

experiencing, Millennials saw the impact of a historic economic decline on their families and personal plans a decade ago. As a result of that experience, Millennials are one of the **most risk-averse** generations since the Great Depression, which has contributed to

them being comparatively less wealthy than Baby Boomers and Gen X-ers at the same stage of their lives.¹⁰

Besides, the optimal time to teach life concepts like working with money, making the connection between education and careers, and entrepreneurship is when learners are young. There is [ample research](#) to support the premise that children and teens are faster learners than adults¹¹, especially when it comes to exploring new subject matter. Not teaching these concepts to young people now is a failed opportunity that will have a societal cost down the road.

The JA Pathways Approach

Junior Achievement (JA) employs a pathways approach when delivering its programs that focus on financial literacy, work and career readiness, and entrepreneurship. By “pathways,” we mean that JA programs are designed to engage students on a subject over multiple grades, from a student’s first day in Kindergarten and throughout their K-12 years, preparing them for the transition to post-secondary education and work, and adulthood.

Why does JA take this approach? JA programs focus on critical life skills, like how to manage money, how to prepare for a job or career, and even how to start a business, or at least better understand how one works. These are all things that, as adults, we experience daily. Yet, most Americans have had next no exposure to curriculum about



these critical concepts while in school. In many instances, financial literacy and career and work readiness are covered in a one-semester course, often an elective one, taken while in high school. Exposure to entrepreneurship, when it does happen, usually occurs during an extra-curricular program or, again, as part of an elective class.

As adults, all of us read and use math virtually every day. However, we also deal with money, jobs, and business every day. But unlike reading and math, which are taught at every grade level in elementary, middle, and high school, lessons about money, jobs, and business aren’t. The JA Pathways approach is designed to help address this disconnect, with volunteer-delivered curriculum, aligned with state and national standards, that is provided at no cost to schools. Volunteers are mostly business professionals from the community who are typically well-versed in money management, business concepts, and the connection of education to future career success.

¹⁰ *Are Millennials Risk Averse or Risk Takers?* Investopedia, June 25, 2019

¹¹ *Current Directions in Psychological Science* 2015, Vol. 24(2) 87–92

Work and Careers – The Future of Work is Now

For years, experts have been discussing the [Future of Work](#) and how advances in artificial intelligence (AI), automation, and remote work could eventually eliminate the need for many unskilled and low-skill jobs.¹² The seismic job loss associated with the COVID-19 shutdown and social distancing restrictions imposed even with reopening may be accelerating the arrival of the Future of Work as businesses look at [using technology](#) to increase productivity and service capacity without bringing employees back.¹³ By some estimates, [42 percent](#) of jobs lost in the COVID-19 shutdown may never come back.¹⁴



Generation Z has been one of the groups hardest hit by shutdown-related job losses, with [one-in-four becoming unemployed](#), and nearly half of all Gen Z working in vulnerable industries, such as retail and hospitality.¹⁵ While much of this is due to the relative youth of this group – the oldest Gen Z-ers are turning 23 in 2020 – many are entering the job market or making decisions about higher education at a critical time that could have long-term consequences for their employability and financial security. We know this because many Millennials faced [similar circumstances](#) during the Great Recession a decade ago and have been behind financially ever since.¹⁶ Extended unemployment, uncertainty about career choices, and too much borrowing for education as a result of the current economic turndown could result in similar challenges for Generation Z.

The Need to Focus on the Next Generation Now

Student loan debt in the United States is now more than [\\$1.6 trillion](#), nearly doubling over the past decade.¹⁷ However, of the six most popular college majors, only [27 percent of college graduates](#) in those programs continue to work in their field of study after initial employment out of college.¹⁸ At the same time, more than [half of the jobs](#) in the country are considered “middle-skill” occupations requiring some post-secondary education or training and often paying better than average, but not requiring a four-year degree.¹⁹

With the uncertainty in the economy, it’s crucial to help Generation Z gain the essential skills necessary to increase their employment prospects in the current environment.

¹² Wingard, Columbia University, 2020

¹³ The COVID-19 Crisis Will Accelerate Enterprise Automation Plans, Forrester, May 5, 2020

¹⁴ COVID-19 Is Also a Reallocation Shock, University of Chicago, May 2020

¹⁵ Pew Research Center, May 2020

¹⁶ The Demographics of Wealth, Federal Reserve Bank of St. Louis, 2018

¹⁷ Federal Reserve Bank of St. Louis, June 5, 2020

¹⁸ Federal Reserve Bank of New York, 2014

¹⁹ National Skills Coalition, 2015

This can be accomplished by assisting them to better understand the connection between their strengths and interests, educational options, and skills that are needed in the shifting world of work. Assisting young people in exploring cost-effective post-secondary education and training avenues, as well as jobs and careers that are in-demand, will help them avoid making costly mistakes with their education choices.

Applying the JA Pathways Approach to Work and Career Readiness

Junior Achievement uses a pathways approach because in many states career and work readiness aren't addressed until later high school grades, which may come too late for students who haven't given the subject much consideration in earlier grades when they are taking courses that could ultimately affect their academic readiness and ability to pursue specific career paths. Since nearly all of us will work as adults, we at JA believe it's essential to connect students with career and work exploration throughout their K-12 journey, not just in high school.

Proof of Impact

Our approach is demonstrated to give students the tools they need to increase their chances of achieving career and work success.

According to a [recent survey](#) by Ipsos, **4-in-5** JA Alumni credit Junior Achievement for:²⁰

- Influencing their decisions about further education
- Impacting their professional and personal development
- Affecting their self-confidence and belief-in-self
- Motivating them to succeed professionally

Additionally:

- **51 percent** say they have worked in the same job or career as their JA volunteer
- **45 percent** say JA influenced their work ethic
- **38 percent** say JA influenced their career decision

Financial Literacy – The Cost of Economic Insecurity

The COVID-19 economic shutdown put into sharp focus just how at-risk most Americans are when it comes to financial security. In 2019, [69 percent of Americans](#) reported having less than \$1,000 in a savings account.²¹ As of 2017, [78 percent](#) were living paycheck-to-paycheck.²²

²⁰ Ipsos/JA Alumni Report, May 2020

²¹ GOBankingRates Sixth Annual Savings Survey, 2019

²² CareerBuilder/Harris Poll, 2017

While there's no way to be 100 percent prepared to weather a historic decline in the economy, the fact is too many Americans lack the [financial capability](#) to withstand even a mild recession. There are undoubtedly numerous reasons for this, including [wage growth](#) remaining stagnant for many. Still, [research shows](#) that 43 percent of American adults aren't deemed "financially literate,"²³ pointing to a more significant problem for a system geared toward individuals borrowing to pay for college, using mortgages for homeownership, and saving for their own retirements.

The Need to Focus on The Next Generation Now

The second biggest investment most of us will make outside of purchasing a home is paying for college. Yet this decision is often being made by 17- and 18-year-olds whose



first experience with a loan application is applying for a student loan. This can result in over-borrowing for higher education, creating a situation where the cost of education far exceeds the ability of graduates to pay off loans in a reasonable amount of time given their level of income. This can result in a cascading effect where major life decisions, such as purchasing a home or saving for retirement, are put off, causing more Americans to fall behind.

Applying the JA Pathways Approach to Financial Literacy

While [21 states](#) require high school students to take a financial literacy course to graduate,²⁴ it is typically a one-time program fairly late in students' academic career that isn't reinforced over multiple grades like other subjects. Additionally, more than half of the states don't have a requirement, and if courses are offered in those states, they are usually electives.

The JA Pathways approach helps ensure students are exposed to financial literacy concepts over multiple grades, increasing their financial capability before they begin making major life decisions, such as how to pay for college.

Proof of Impact

Our approach is demonstrated to give students the tools they need to increase their chances of achieving economic security as adults. Research results include:

- **45 percent** say JA influenced the way they manage money, based on a [2020 JA Alumni survey](#) by Ipsos²⁵

²³ S&P Global Financial Literacy Survey, 2015

²⁴ Survey of the States, Council for Economic Education, 2020

²⁵ Ipsos JA Alumni Report, May 2020

- In the Ipsos survey, **85 percent** of alumni say Junior Achievement played an important role in fostering a belief they could achieve their goals
- **90 percent** of JA Alumni reported being confident in managing money, based on a [2016 JA Alumni survey](#)²⁶
- A [2015 study](#) by RMC Research Group provided evidence that the *JA Finance Park* program increases the financial capability of students²⁷

Entrepreneurship – Revitalizing Small Business

For many years, small business has been the [job-creating engine](#) that has driven the U.S. economy.²⁸ However, with the COVID-19 shutdown, it appears that [half of U.S. small businesses](#) had to close temporarily.²⁹ Despite efforts by the Federal and state governments to assist these businesses, the Federal Reserve is [concerned](#) that many of these businesses may not survive the effects of the shutdown, even after reopening.³⁰

During the Great Recession, the total number of companies in the United States [declined five percent](#), led by small business closures.³¹ According to [government research](#),³² permanent small business closures after a disaster like COVID-19 could far exceed what happened during the financial crisis a decade ago. Even after the Great Recession, it took many years for the number of small businesses in the U.S. to recover from that downturn, and even with that, those small businesses employed [far fewer people](#), as a whole, than similar businesses did before 2008. The fact is, the 2020 shutdown is most likely going to result in a historic net reduction in small businesses, and Generation Z has a critical role to play in bringing startups and small business back during the recovery.



The Need to Focus on The Next Generation Now

According to the Harvard Business Review, the average age of successful first-time [entrepreneurs is 45](#). However, as the Review points out, venture capital (VC) funds tend to put their resources behind startup founders in their late 20s or early 30s.³³ Ironically, the [reason most startups fail](#) is related directly or indirectly to lack of

²⁶ JA Alumni Report, Junior Achievement 2016

²⁷ KPMG Foundation Sponsored Curriculum Evaluation JA Finance Park, January 2016

²⁸ U.S. Small Business Administration, April 25, 2018

²⁹ U.S. News/U.S. Chamber of Commerce, May 2020

³⁰ *Fed frets about small business failures amid 'alarming' data*, Reuters, June 12, 2020

³¹ Federal Reserve Bank of St. Louis, 2017

³² FEMA/SBA, 2013

³³ *Research: The Average Age of a Successful Startup Founder Is 45*, HBR, July 11, 2018

experience, including launching a product or service where there is no market need, running out of cash, not having the right team, cost and pricing issues, and not having a business model.³⁴

If the rate of small business failures reaches a historical level, it will be critical that those considering entrepreneurship at all ages be engaged and that those individuals be provided with as many tools and resources as possible to help mitigate the chances of failure due to inexperience.

Applying the JA Pathways Approach to Entrepreneurship

Junior Achievement takes this approach because, in many states, entrepreneurship is an entirely elective option, and in most cases, is available only as an extra-curricular activity for no school credit. Given that most of us will work for a small business at some time, and all of us interact with small businesses, we at Junior Achievement believe it's important to offer programs that cover entrepreneurship and small business across multiple grade levels.

Proof of Impact

Our approach is demonstrated to give students the tools they need to increase their chances of successfully pursuing entrepreneurship as adults.

According to a [recent survey](#) by Ipsos:³⁵

- **53 percent** of JA Alumni have started or owned a business
- **45 percent** of JA Alumni businesses employ more than **20 people**, compared to **12 percent** of U.S. small businesses (U.S. Census Bureau)
- **27 percent** of JA Alumni businesses employ more than **100 people**, compared to **1.7 percent** of U.S. small businesses (U.S. Census Bureau)
- **17 percent** of JA Alumni businesses earn more than **\$5 million annually**, compared to **4.5 percent** of U.S. small businesses (Internal Revenue Service)
- **Male and female** JA Alumni are **equally likely** to have started multiple businesses
- **JA Alumni who are Millennials** are most likely to have started multiple businesses
- **72 percent** of JA Alumni who have been involved in starting a business say it is **still operational today**

For More Information:

To find out more about Junior Achievement programs in your community, visit www.JA.org.

³⁴ The Top 20 Reasons Startups Fail, CB Insights, November 6, 2019

³⁵ Ipsos JA Alumni Report, May 2020