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REPORT



The Next-Generation Industry

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Acknowledgements

Council for a Strong America is a national, bipartisan nonprofit that unites five organizations comprised of law enforcement leaders, retired admirals and generals, business executives, pastors, and prominent coaches and athletes who promote solutions that ensure our next generation of Americans will be citizen-ready.

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The Next-Generation Industry produces the young adults needed for a successful American workforce. The industry comprises more than 200 million people—two-thirds of all Americans—and accounts for $2.4 trillion of spending a year, or almost 13 percent of U.S. GDP. When the industry is unified and represented in policymaking the way other major industries are, investment in young people from infancy to young adulthood will be sufficient to assure strong sustainable American growth.

The Next-Generation Industry

The North American Industry Classification System (NAICS) is the framework used for collecting, analyzing, and disseminating industrial statistics used by government, academia, business, and the public in the United States, Canada, and Mexico.[1] It divides all economic activity into 20 categories ranging from agriculture to public administration. It is similar to industrial classifications used in other regions of the world and reflects a traditional understanding of economic activity based on those products and services seen as essential to economic growth.

While necessary for effective private and public management of the economy, the NAICS classification is misleading in a way that is an obstacle to good national policymaking and long-term American wellbeing. Why? It leaves out the most important industry of all.

Young Adults Are an Economic Product

Think about it this way. We are familiar with the automobile and banking industries.



They are regularly in the news and well organized politically. Let's ask, could human society survive without cars? Of course we could. We did it for millions of years. Could we survive without banks? Again, the answer is yes. Now ask, could human society survive without young adults? The answer is obvious—no. This answer reveals something critically important. Young adults are the result of the economic work of a large number of people and businesses. Like automobiles, they are a product. In this instance, however, they are the most important product we make as a nation, as an economy, and even as a species.

All the people and businesses involved in the long process of producing the most important product of all constitute an industry. We call it the Next-Generation Industry. This industry includes parents, grandparents, child care providers, pediatricians, educators of all kinds, and the employees and executives of the businesses that provide everything from car safety seats to job-training textbooks. Their work together produces the young adults on which society's continuation depends, and they share a powerful commitment to the lifetime success of their product.

The Next-Generation Industry comprises more than 200 million people, two-thirds of all Americans, and accounts for $2.4 trillion of spending a year, or 12.8 percent of U.S. GDP. According to the U.S. Labor and Commerce Departments, the next three largest industries are: Finance (including insurance, and real estate), manufacturing, and health care. Finance accounts for 20.8 percent of GDP and employs 8.3 million people. Manufacturing accounts for 11.6 percent of GDP and employs 14.1 million people. And healthcare accounts for 7.3 percent of GDP and employs 15.2 million people.[2]

Human capital is the most important input in all these industries. The quality of young adults entering their workforces is crucial.

The Next-Generation Industry is Big

Estimation Methodology

We define the Next-Generation Industry to include all goods and services (paid and unpaid) involved in raising a child from birth to age 25. For the purposes of this analysis, we include only the two categories below. To simplify the analysis, it omits pregnancy costs, third party spending and unpaid labor by parents and others. These exclusions make this estimate quite conservative. Though conservative, the results are enormous. Total 2016 private and public birth to age 25 Next-Generation Industry spending amounted to $2.4 trillion or 12.8 percent of U.S. GDP. See table in the appendix.

We include:
Parental spending on children from birth through age 25, including[3]:

- Housing (shelter, utilities, and house furnishings and equipment),
- Food (food and beverages purchased at stores, dining at restaurants, and food purchased at school),
- Clothing (children's apparel, shoes, and cleaning services),
- Health care (medical and dental services, prescription drugs, and medical supplies not covered by medical insurance and health insurance premiums),
- Child care and education (child care tuition, elementary, secondary, and higher tuition, books, and supplies), and
- Miscellaneous (personal care items, entertainment, and reading materials).

Spending on children's behalf by federal, state, and local government. This includes, among other things:

- Public elementary, secondary, and higher education,
- Head Start and child care subsidies,
- Social welfare, criminal justice, and public health programs for children 18 and younger,
- Nutrition subsidies (e.g., Supplemental Nutrition Assistance Program - SNAP, the current name for food stamps; the Special Supplemental Nutrition Program for Women, Infants and Children - WIC), and
- Housing subsidies for families with children 18 and younger.

Policy Unity Is Urgent

Economists routinely think of economic growth as a function of labor, capital, and other inputs, and of these, labor or human capital is the most important. However, as the NAICS framework reveals, economists do not think of the economic work involved in producing human capital to be an economic sector or industry. As a result, the people in the Next-Generation Industry do not think of themselves as members of a single crucial industry, and the industry is not recognized by business and government policymakers. This policy blind spot contributes to key failures in American human capital investment and economic growth.

Industry special-interest advocacy is an integral part of resource allocation in the American economy. When all the components of the economy are appropriately represented in policymaking, resources are allocated in ways that assure sound sustainable growth. Because the Next-Generation Industry is not unified and recognized, it is not represented in policymaking the way other industries are. As a consequence, America consistently underinvests in human capital quality.

Next-Generation Industry policy unity is urgent. Looked at from a number of perspectives, America is failing to produce the young adults it needs for a competitive 21st Century workforce. Defense Department data released by Mission: Readiness indicate that only about 30 percent of 17- to 24 year-olds can qualify for armed services employment. The other 70 percent lack needed fitness, clean police records, high school degrees, and freedom from illegal drug dependencies.[4] In comparison with other developed economies, America now ranks far from the top in health and education standings.[5]

The evidence from decades of research into parenting, prenatal counseling, quality

childcare and early learning, K-12 education, collegiate and specialized job-training, and their relationships to adult work performance and even middle-age health is clear. Allocating resources in sound ways to parents, children, and adolescents results in healthier and more creative, productive, and competitive adults. The evidence also shows that the wages paid and the goods and services purchased by the Next-Generation Industry generate additional economic growth. The contribution to local business growth from the childcare sector, for example, is greater than investments in other major sectors such as transportation, retail trade, and manufacturing.[6]

If the voices of Next-Generation Industry members are heard, public and private policies will be more supportive of good parenting, healthcare, and education for all American young people. Our workforce will be more competitive, opportunities will be more equal, and our economy will be more future-oriented and less dependent on heavy government borrowing and extreme monetary policy.



The Next-Generation Industry comprises more than 200 million people, and accounts for $2.4 trillion of spending a year.

Endnotes

1 Office of Management and Budget (2017). North American Industry Classification System https://www.census.gov/eos/www/naics/2017NAICS/2017_NAICS_Manual.pdf

2 Population data is from the U.S. Department of Labor, Bureau of Labor Statistics, Employment by Major Industry Sector https://www.bls.gov/emp/tables/employment-by-major-industry-sector.htm GDP Data is from the U.S. Department of Commerce, Bureau of Economic Affairs, Value Added by Industry as a Percentage of Gross Domestic Product https://www.bea.gov/iTable/iTable.cfm?ReqID=51&step=1#reqid=51&step=51&isuri=1&5114=a&5102=5

3 See the Appendix for the sources of the spending data.

4 Mission Readiness (2018). Many young Americans are ineligible to serve in the military. https://www.strongnation.org/articles/414-map-many-young-americans-are-ineligible-to-serve-in-the-military

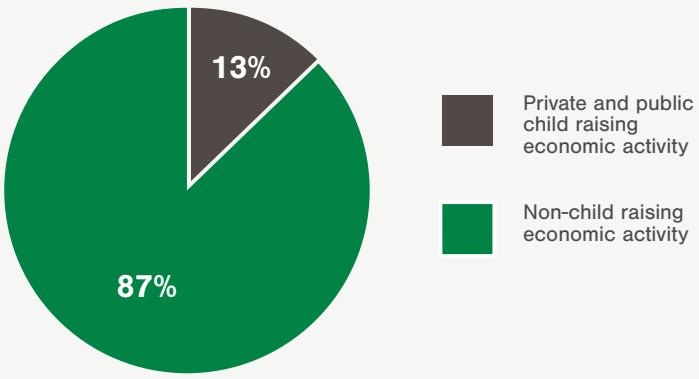
5 United Health Foundation (2016). America's health rankings. https://www.americashealthrankings.org/learn/reports/2016-annual-report/comparison-with-other-nations OECD (2015). Country note Key findings from PISA 2015 for the United States. https://www.oecd.org/pisa/PISA-2015-United-States.pdf

6 Warner, M. (2009). Child Care Multipliers: Stimulus for the States. http://www.childcareplanning.org/documents/Stimulus_Brochure_09.pdf

Appendix

Next-Generation Industry Share of U.S. Economic Activity in 2016

Line	Cost Component and GDP Share Estimates	
	Spending on child births	
1	Average cost per birth [a]	$13,004
2	Number of births per year, [b]	3945875
3	Total spending on births per year = [1] x [2]	$51,311,686,555
	Family private direct Next-Generation spending from 0 to age 18	
4	Family spending from birth to age 18 per year [c]	$13,265
5	Number of children from 0 to age 18 [d]	73,642,285
6	Total family private spending on all children per year = [1] x [2] + [4] x [5]	$1,028,199,537,515
	Government public Next-Generation spending from conception to age 18	
7	Federal, state and local government spending per child per year (e)	$13,153
8	Number of children ages 0 to age 18 [d]	73,642,285
9	Total federal, state and local government spending on children per year = [7] x [8]	$968,616,974,605
10	Total private and public spending on higher education on students under 25 [f]	$388,798,467,996
11	Total private and public 0 to 25 Next-Generation spending = [6] + [9] + [10]	$2,385,614,980,116
12	Gross Domestic Product (GDP) 2016 [g]	$18,624,475,000,000
13	Total Next-Generation spending as percent of GDP [11] / [12]	12.81%



Sources:
[a] 2015 Comparative Price Report Variation in Medical and Hospital Prices by Country, International Federation of Health Plans.
[b] National Vital Statistics Reports: vol 67 no 1., National Center for Health Statistics, Center for Disease Control.
[c] Expenditures on Children by Families 2015, U.S. Department of Agriculture.
[d] U.S. Census Bureau, Population Division
[e] Kids' Share 2017: Report on Federal Expenditures on Children through 2016 and Future Projections. Urban Institute.
[f] The Condition of Education 2017, National Center for Education Statistics, U.S. Department of Education.
[g] National Data, Table 1.1.5. Gross Domestic Product, Bureau of Economic Analysis, U.S. Department of Commerce.

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