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Andrew Sum
Northeastern University

Ishwar Khatiwada
Northeastern University

Joseph McLaughlin
Northeastern University

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The Collapse of the National Teen Job Market and the Case for An Immediate Summer and Year Round Youth Jobs Creation Program

Prepared by:
Andrew Sum
Ishwar Khatiwada
Joseph McLaughlin
With
Sheila Palma
Center for Labor Market Studies
Northeastern University
Boston, Massachusetts

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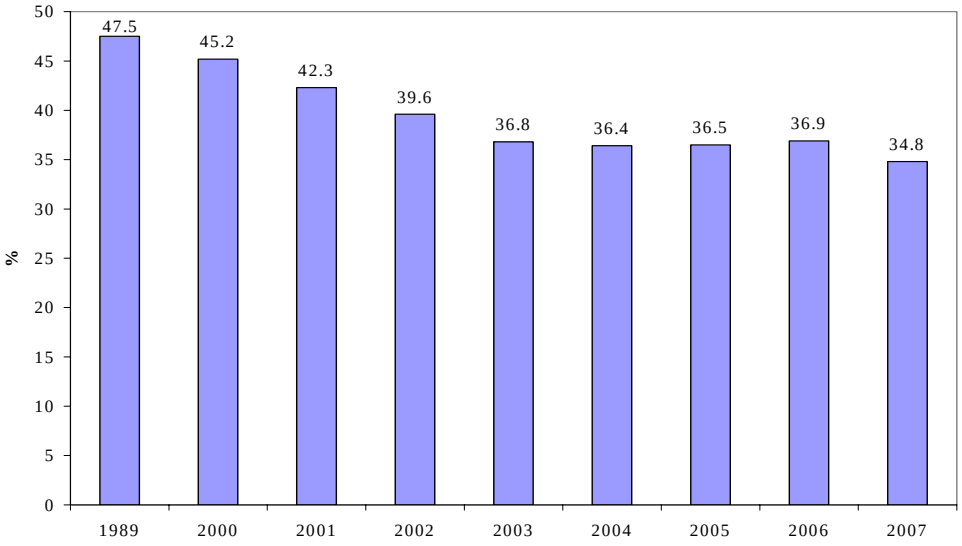
Nationally, aggregate labor market conditions in the U.S. have weakened substantially over the past seven months. Nonfarm payroll employment growth slowed considerably from the early summer of 2007 through the end of the year, and the U.S. Bureau of Labor Statistics has just released its findings on the employment situation for February 2008.[1] Total nonfarm payroll jobs (seasonally adjusted) in January 2008 were down by 22,000 from December of 2007, and preliminary payroll numbers for February were estimated to be 63,000 jobs below that of January. The nation's overall unemployment rate in January and February 2008 averaged 4.9%. A weakened labor market is not news to America's teens. The nation's teens (16-19) have experienced declining employment rates since the mid summer of 2006. Their annual average employment rate (E/P ratio) declined in 2007 to a new record low for the post-World War II period, and they have failed to capture any substantive share of net new job growth across the nation since 2003.[2] The teen employment rate last year was only 34.8%, the lowest annual average employment rate for teens ever recorded since the end of World War II (Chart 1).[3] Deteriorating teen employment rates during a growing national labor market is unprecedented.

Chart 1:
Trend in the Employment/Population Ratios of the Nation's 16-19 Year Olds, Selected Years 1989-2007, (Annual Averages, in %)



[1] See: U.S. Bureau of Labor Statistics, The Employment Situation: February 2008, Friday, March 7, 2008, release.
[2] The CPS employment series for the nation's teens begins in 1948.
[3] The employment/population ratio often referred to by labor economists as the E/P ratio measures the percent of teens in the civilian, non-institutional population that were employed in an average month during the year. Persons serving in the nation's armed forces and inmates of institutions, such as juvenile homes, jails, and prisons, are excluded from the denominator.

Declines in teen employment rates over the past seven years (2000-2007) have been widespread across age, gender, race-ethnic, educational attainment, household income, and geographic subgroups. Declines in employment rates have been larger for the youngest teens (16-17) and for men than women (Chart 2). The success of teens in finding any type of job last year, however, also differed considerably across schooling, race-ethnic and household income groups. Those teens from low income families (incomes under $20,000) who were Black or Hispanic fared the worst in U.S. labor markets (Chart 3). For example, only 19% of low income Black teens worked during 2007 versus nearly one-half of their more affluent White counterparts living in families with incomes above $60,000. Overall, female teens in recent years were more likely to be working than males (a reversal of behavior in all earlier decades) and Whites were considerably more likely to be working than Black teens and Hispanic teens (Chart 4).

Chart 2:
Trends in the Employment/Population Ratios of Male and Female Teens, Selected Years 2000-2007 (Annual Averages, in %)

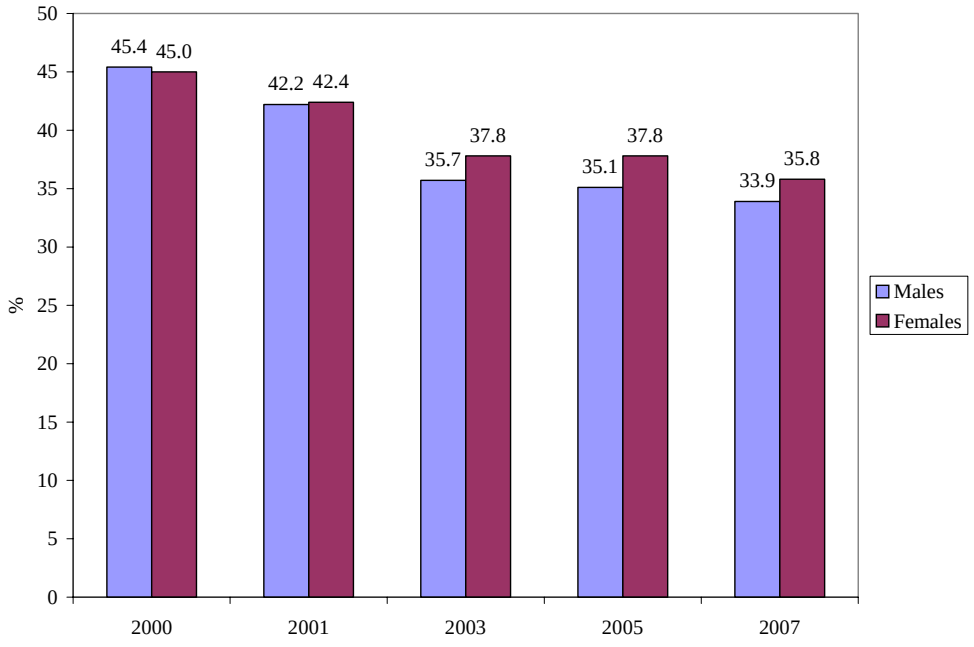


Chart 3:
Employment/Population Ratios of 16-19 Year Olds By Selected Race-Ethnic and Family Income Subgroups, 2007
(Annual Averages, in %)

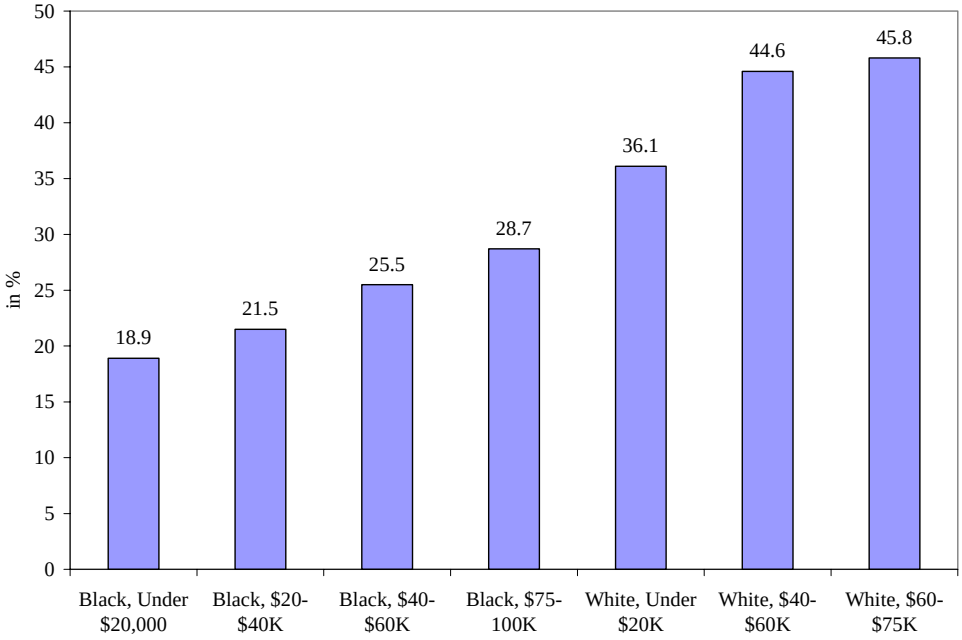
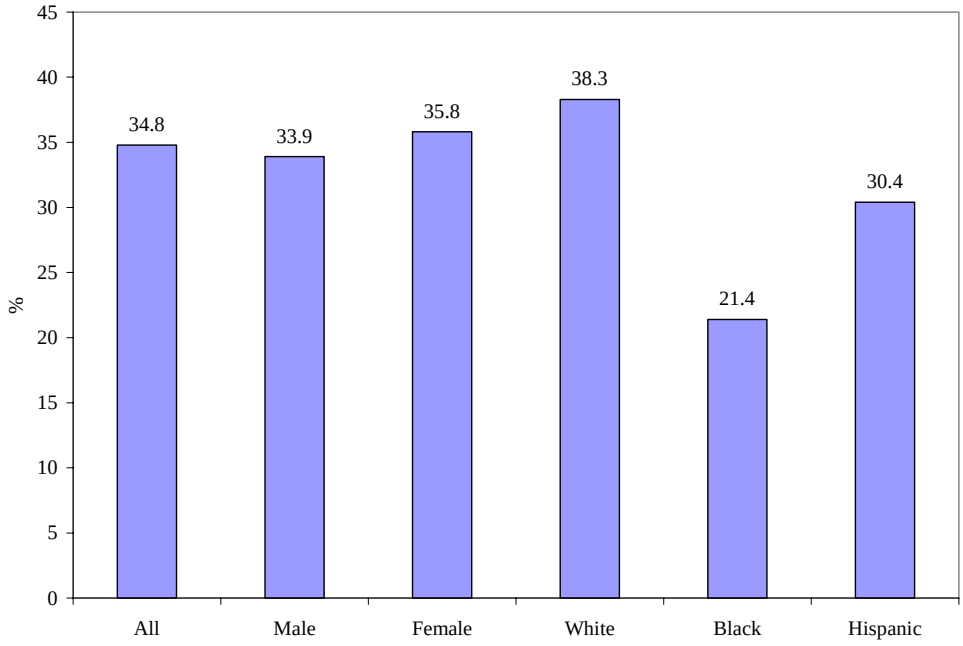


Chart 4:
Employment/Population Ratios of Teens (16-19) By Gender and Race-Ethnicity, 2007
(Annual Averages, in %)



A variety of labor market, institutional, and demographic forces have been influencing the sharp drop in teen employment rates over the past seven years. While national payroll employment growth increased steadily from the late summer of 2003 to 2007, overall growth in the number of new wage and salary jobs since 2000 has lagged considerably behind that of the decades of the 1990s and 1980s. Teens benefit disproportionately from strong and steady growth in payroll employment as employers have to reach back farther in their hiring queues to secure needed labor. Teens also have been facing more severe competition from other labor force groups in recent years, including older adult men and women (55+) who have increased their attachment to the labor market, single mothers with limited schooling who have faced time limits on welfare receipt, young adults (20-24) including college graduates who cannot find employment in their chosen fields of study, and less educated new immigrants, particularly young males, who have overwhelmingly dominated the ranks of the newly employed young since 2000. Male high school dropouts and low income teens, especially Blacks and Hispanics, seem to suffer the greatest job displacement from illegal immigrants. Teens also have faced growing problems in finding summer employment in recent years. Their summer jobholding rates over the past four years have represented new historical lows for the post-World War II era, with males, minorities, and low income youth being increasingly shut out of the summer labor market.[4]

Do teenagers want to work more than they do? Some labor market and media analysts have argued that the declining employment rates of the nation's teens primarily reflect a reduced interest in employment as evidenced in part by a lower rate of labor force participation. Yet, even the conservative official U.S. Bureau of Labor Statistics' estimates of open unemployment, hidden unemployment, and underemployment among teens in 2007 reveal a substantial pool of youth who either wished to work but were left jobless or were employed part-time though they sought full-time jobs.

The annual average number of unemployed teens in 2007 was slightly over 1.10 million, yielding an unemployment rate of 15.7%, which was more than four times higher than the 3.7% unemployment rate faced by the nation's adults 25 and older during that year (Table 1).

[4] For a review of the deteriorating summer employment situation for the nation's teens in recent years, See: Andrew Sum, Ishwar Khatiwada, and Joseph McLaughlin, The Demise of the Summer Job Market for the Nation's Teens: The Case for a Revitalized Summer Youth Employment Program, Center for Labor Market Studies, Northeastern University, Boston, October 2007.

However, the unemployment rate for teenagers can be a misleading measure of the health of the teen labor market. When teens perceive a difficult job market, they withdraw from the labor force and, thus, are not counted as officially unemployed. In addition, this official estimate of teen unemployment from the monthly Current Population Survey is largely based on proxy respondents for teens, primarily their mothers. Household surveys in recent years with youth themselves in high poverty neighborhoods reveal that direct interviews yield higher unemployment rates than interviews with the parents or other relatives of the teens.

Table 1:
Labor Unutilization and Underutilization Problems Among the Nation's Teens in 2007
(Annual Averages)

Type of Problem	Value
Unemployed Youth	1.101 million
Unemployment rate	15.7%
Employed part-time for economic reasons	.330 million
Labor force reserve (wanted a job but not actively looking)	.850 million
Total unemployed, underemployed, and labor force reserve	2.28 million

Sources: (i) U.S. Bureau of Labor Statistics, web site, www.bls.gov;
(ii) 2007 monthly CPS public use files, tabulations by authors.

A fairly substantial number of teens not actively looking for work express a desire for immediate employment. The monthly 2007 CPS surveys yielded an estimate of nearly 850,000 teens who wanted an immediate job but were not actively looking for work and, thus, not counted as unemployed. This group of teens will be referred to as the labor force reserve. Their numbers are quite large, being nearly identical to the pool of officially unemployed teens, and the size of this labor force reserve tends to rise sharply during the summer months when school is out of session.

A third underutilized group of teens consists of those who are employed but are working part-time even though they desire full-time work (35 or more hours). During 2007, there were 330,000 such underemployed teens on an average month. Special labor force surveys conducted by the U.S. Bureau of Labor Statistics in May 2001 (and earlier in 1985) reveal that the number of employed teens who wished to work more hours at the current wage exceeded those who wished to work fewer hours by a ratio of 18 to 1 among men and more than 10 to 1 among

women. No other age group (except 20-24 year olds) comes close to experiencing such a major underemployment rate.[5] Unfortunately, more recent data on the desired work hours of employed teens are not available. The combined number of teens who were unemployed, members of the labor force reserve, or underemployed during an average month in 2007 was conservatively estimated to be equal to approximately 2.4 million, equivalent to 14 percent of the teen population and more than 30% of the adjusted teen labor force.[6] These underutilization rates among teens are considerably higher than they are among other age groups, and males, Blacks, and less educated youth face higher underutilization rates than each of their respective counterparts.

As noted earlier, the annual average teen employment rate in 2007 was the lowest ever recorded over the 60 year period for which national CPS employment data are available. We have conducted two simulations generating estimates of the number of teens that would have been employed in 2007 if they had matched their employment rates in 2000 and 1989, two earlier cyclical peaks. If teens had matched their 2000 employment rate of 45.2%, their would have been 7.679 million teens at work last year, an increase of 1.767 million or 30 percent (Table 2). If the nation's teens had matched their 1989 employment rate, there would have been 8.070 million teens at work on an average month during the past year, an increase of nearly 2.16 million or 37 percent. Clearly, a substantial additional number of teens would have held a job last year if they had been able to obtain jobs at the rates they did in the previous two cyclical peak years.[7]

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[5] The May 2001 CPS survey did not, however, collect data on the actual number of desired work hours among the employed. For a review of national evidence on desired versus actual hours of work among employed teens and other workers,
See: (i) Lonnie Golden and Tesfayi Gebraslassi, "Overemployment Mismatches: The Preference for Fewer Work Hours," Monthly Labor Review, April 2007, pp. 18-37; (ii) Susan Shank, "Preferred Hours of Work and Corresponding Earnings," Monthly Labor Review, November 1986, pp. 40-44.
[6] The adjusted teen labor force consists of the official civilian labor force plus members of the labor force reserve.
[7] The year 1989 was a cyclical peak year. The U.S. economy entered a recession in June 1990 that lasted until March of 1991.

Table 2:
Comparisons of the Actual and Hypothetical Number of
Employed Teens in 2007 Under Two Alternative Scenarios
(Numbers in Millions)

Hypothetical Scenario	(A) Actual Employed	(B) Hypothetical Employed	(C) Absolute Difference	(D) Relative Difference
Teens employed at 2000 rate	5.912	7.679	1.767	30%
Teens employed at 1989 rate	5.912	8.070	2.158	37%

Why should we care? Few national and state policymakers and media analysts, with the exception of a few big city mayors (Boston and New York city), Bob Herbert of the *New York Times*, and a few other newspaper writers, have expressed concern over the high levels of teen joblessness. The national presidential debates were completely silent on this issue. A few analysts of teen labor market developments have casually dismissed the steep decline in teen employment rates by noting that school attendance among teens has increased over the past seven years. Increased school attendance will typically reduce teen employment somewhat in the short run, but can promote their long-run employability if it leads to improved academic skills and educational attainment. More teens are attending high school and college today, but employment rates have fallen sharply among high school students and out-of-school youth, including both high school graduates and dropouts. Low income and minority dropouts face very bleak employment prospects, with less than one-third being employed on a given month in recent years.

The rise in school attendance can account for only a very small share (less than 10 percent) of the drop in the teen E/P ratio in recent years. In fact, the rise in school attendance is partly if not primarily attributable to the depressed labor market conditions for teens which have reduced the opportunity costs of attending school. There are many employment related skills, including the soft skills of attendance, punctuality, team work, and customer service, that are highly valued by employers but can only be learned on the job. The nation's employers in recent years have expressed a high degree of dissatisfaction with the employability skills of new high

school graduates.[8] Youth who participate in work-based learning activities during high school are more likely to see the relevance of school work to career success and acquire stronger employability skills. There also is a very strong path dependence in teen employment, i.e., the more teens work this year, the more likely they are to work the following year. Work in high school also favorably increases the ability of youth to move smoothly to the labor market after graduation, especially among those graduates not enrolling full-time in four year colleges or universities immediately after graduation.[9] Findings from recent follow-up surveys of Boston public school graduates show that those college students who worked more during the senior year were more likely to work in college. Among economically disadvantaged youth, especially Black and Hispanic males, national research suggests that some work in high school can help promote school persistence and graduation, and metropolitan areas with higher employment rates for female teens are characterized by lower teen pregnancy rates.[10]

The troubled job market for the nation's teens has carried over to the job market for 20-24 year old adults. The employment rates of 20-24 year olds with no four year college degree in 2007 were substantially below those of 2000, especially among males and the native born. Only 50 percent of 20-24 year old native born dropouts were employed on average during 2007, and high school graduates faced a 6 percentage point lower employment rate. The real weekly and annual earnings of employed teens and young adults also have declined and remain well below their historical peaks in the mid 1970's. A high fraction (10%) of young male dropouts 18 to 29 years of age are incarcerated in jail or prison. Far fewer young adults (20-29), especially those with no post-secondary schooling, are married, and in 2006 slightly over one-half of the children born to women under the age of 30 were out-of-wedlock for the first time in our nation's history. Poverty/ near poverty rates among these single parent families are very high, and income inequality among young families has soared.

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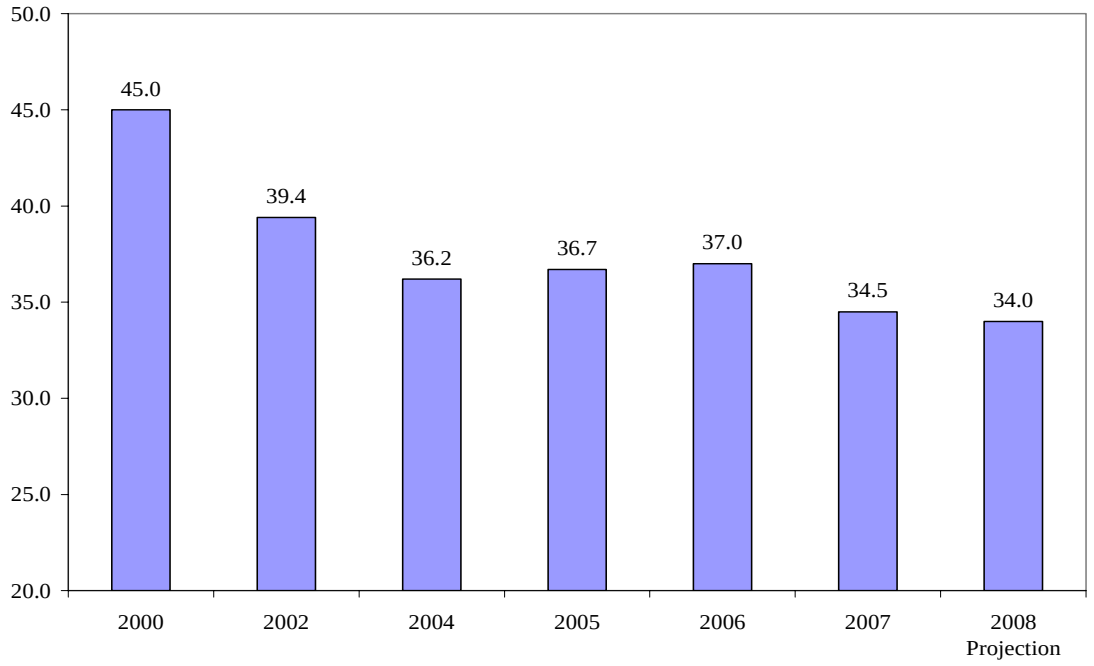
[8] See: The Conference Board of New York, Partnership for 21st Century Skills, and The Society for Human Resource Management, Are They Really Ready to Work, New York, 2006.

[9] See: Andrew Sum, Robert Taggart, and Ishwar Khatiwada, The Path Dependence of Teen Employment in the U.S.: Implications for Youth Workforce Development Policy, Center for Labor Market Studies, Northeastern University, Boston 2007.

[10] For a review of the evidence on this topic,
See: Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Prospects of At-Risk Youth, Sar Levitan Center for Social Policy Studies, Baltimore, 2000.

The summer job market for the nation's teens also has weakened considerably since 2000 with last summer's employment rate representing a new historical low. At this time, we project that this summer's teen employment rate will reach a new historical low. The summer 2008 job outlook for teens looks particularly bleak. The national teen labor market was quite weak in the late fall of 2007 and the early winter of 2008. Between September and November of 2007, the seasonally adjusted teen E/P ratio averaged only 34.5% and fell steadily from October to February 2008 when the teen E/P ratio last month dropped to 33.4%. The February 2008 E/P ratio for teens was 1.3 percentage points below its rate in the same month a year earlier. Previous research work by the Center for Labor Market Studies has shown that the teen employment situation in the first few months of the calendar year (January – April) is a very good predictor of the teen summer employment rate. These findings suggest that the nation's teen employment rate this summer is currently headed for a new historical low in the absence of any comprehensive set of new job creation strategies for youth.

Chart 5:
Trends in the Summer Employment Rates of the Nation's Teens From 2000 to 2007 and the Projected Summer 2008 Employment Rate (in %, Seasonally Adjusted)



What can be done? There are a variety of national, state, and local strategies that can be adopted to promote teen employment opportunities during the school year and summer. First, the federal government should immediately reinstitute the Summer Youth Employment Program, creating at least 1 million summer jobs for the nation's 16-21 year olds with an emphasis on low income youth, high school dropouts and jobless graduates, and youth residing in high poverty neighborhoods. National evidence on the effectiveness of job creation programs for youth is quite high in terms of net new jobs for teens, especially low income youth. [11] State allocations for this program should be based on each state's share of the national pool of jobless teens with financial incentives for local and state governments contributing to summer job programs. A year-round job creation program for teens should follow shortly with funding levels tied to the overall level of teen joblessness in each state. The time for action is now to allow state and local workforce boards to recruit youth and solicit quality job slots for youth to fill.

Second, all state and local WIA Workforce Investment Boards should be immediately called upon by the U.S. Department of Labor to develop comprehensive strategies for placing more teens and young adults in jobs during both the summer and school year. Job placement targets for teens should be established, and monies from the U.S. Department of Labor should be used to fund staff to work with private companies to create paid year-round and summer internships similar to those under the Massachusetts Connecting Activities program. Third, the nation's employers should be given additional tax incentives to hire teenagers for jobs, especially economically disadvantaged youth and those teens living in high poverty areas, and wage subsidies for the hiring of teens should be promoted. President Bush and the U.S. Congress should make concerted national appeals to the business community to hire more teens. Fourth, there is a need to strengthen the network of school-to-career transition programs including those operated by the Boston Private Industry Council and the Jobs for America's Graduates Network. The evaluations of Career Academies programs by MDRC show particular promise of the effectiveness of these programs in improving the long term earnings of participants, especially males.[12]

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[11] For a review of evidence on the net employment impacts of past youth job creation programs, see: (i) Timothy Bartik, "Poverty, Jobs, and Subsidized Employment," Challenge, May-June-2002, pp. 100-111; (ii) Andrew Hahn and Robert Lerman, What Works in Youth Employment Policy, National Planning Association, Washington, D.C., 1982.

[12] A new evaluation covering 8 years of post-high school followup will be forthcoming later this year. See: James Kemple with Judith Scott-Clayton, Career Academies: Impacts on Labor Market Outcomes and Educational Attainment, MDRC, March 2004.