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Andrew Sum
Northeastern University

Joseph McLaughlin
Northeastern University

Ishwar Khatiwada
Northeastern University

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The Collapse of the 2008 Summer Teen Job Market: A Record 60 Year Employment Low for the Nation's Teens

Prepared by:
Andrew Sum
Joseph McLaughlin
Ishwar Khatiwada
With
Sheila Palma

Center for Labor Market Studies
Northeastern University
Boston, Massachusetts

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"Oh, why don't you work like other men do, How the hell can I work when there's no work to do."

Hallelujah, I'm a Bum

"Too few black teens are working this summer…Do our leaders really understand the problem?."

Algernon Austin
(August 2008)

"We must use time creatively with the knowledge that the time is always ripe to do right."

Rev. Martin Luther King
Letter from a Birmingham Jail

"Remember that time is money."

Ben Franklin
Advice to a Young Tradesman

Introduction

During April and May of this year, the Center for Labor Market Studies at Northeastern University released a series of research reports, including prepared Congressional testimony, projecting that the nation's teen summer employment rate would reach a post-World War II low in 2008 and that minority and low income teens would face the bleakest job market prospects.[1] These reports made a strong case for reinstituting a federally funded summer jobs program primarily targeted at teens residing in high poverty and low income areas across the U.S. Both the U.S. Congress and President Bush failed to include any funding for a youth jobs creation program in the original economic stimulus package and supplementary budget appropriations this spring and summer. Bret Shulte, in a recent U.S. News and World Report magazine article, summed up the Congressional inaction this way, "Mark it up as another unfilled summer job."[2]

Now, as the U.S. Congress may be considering a second economic stimulus package, an even stronger case for a youth jobs creation program can be made. Today, on Friday August 1, the U.S. Bureau of Labor Statistics released its monthly Employment Situation report for the month of July 2008. The report estimated that U.S. payroll employment declined by 51,000 in July, representing the 7th straight month of job losses, and the national unemployment rate in July (seasonally adjusted) was estimated to have risen to 5.7%, the highest monthly rate in the past four years.[3]

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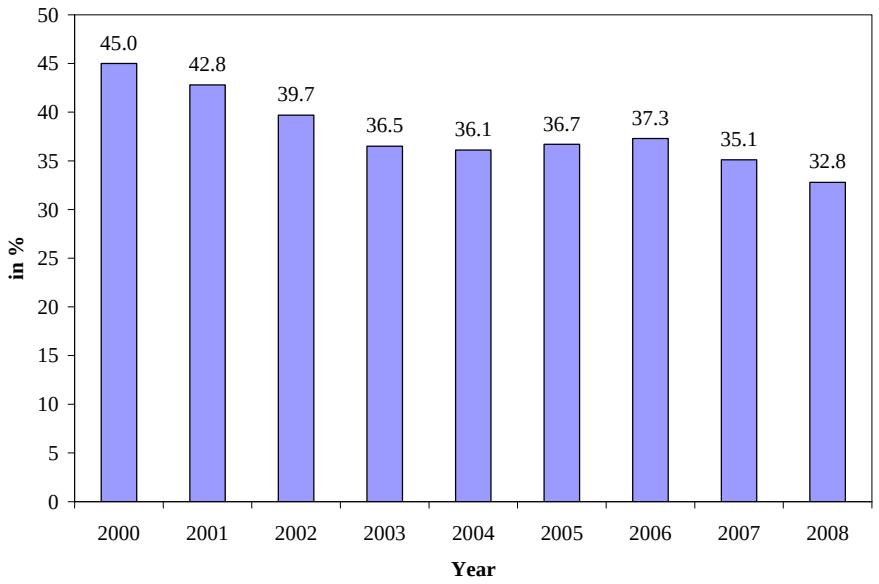
[1] See: (i) Andrew Sum, Joseph McLaughlin, Ishwar Khatiwada, The Demise of the Summer Job Market For the Nation's Teens: The Case for A National Public Policy Response, Center for Labor Market Studies, Northeastern University, May 2008; (ii) Andrew Sum, Joseph McLaughlin, Ishwar Khatiwada, et al., The Continued Collapse of the Nation's Teen Job Market and the Dismal Outlook for the 2008 Summer Labor Market for Teens: Does Anybody Care?, Center for Labor Market Studies, Northeastern University, April 2008.
[2] Bret Shulte, "Occupying Idle Teen Hands," U.S. News and World Report, July 7, 2008, p. 23.
[3] See: U.S. Bureau of Labor Statistics, The Employment Situation, July 2008, August 1, 2008.

The teen labor market in July was in desperate straits. The seasonally adjusted teen employment rate for July was only 32.5% slightly below that of June's 33.1%, yielding a two month summer average of 32.8%. The 2008 teen summer employment rate is 1.4 percentage points below our projected rate of 34.2%, and it represents a new 60 year historical low rate of employment for the nation's teens.

Summer teen employment rates have declined nearly steadily since the summer of 2000. During that summer, the teen employment rate for the June-July period was 45% (Chart 1). The rate fell steadily to 36.1% by 2004 before recovering slightly over the next two summers (2005 and 2006). Over the past two summers, the teen employment rate has fallen sharply, reaching two new historical lows.[4] If teens had been able to obtain jobs at the same rate they had in the summer of 2000, there would have been 2.1 million more teens at work in the past two months. If the summer 1989 teen employment rate had been achieved, there would have been 3.2 million more teens at work.

Chart 1:
Employment Rates of 16-19 Year Olds in June-July of Each Year, 2000-2008
(Seasonally Adjusted, Two Month Averages, in %)

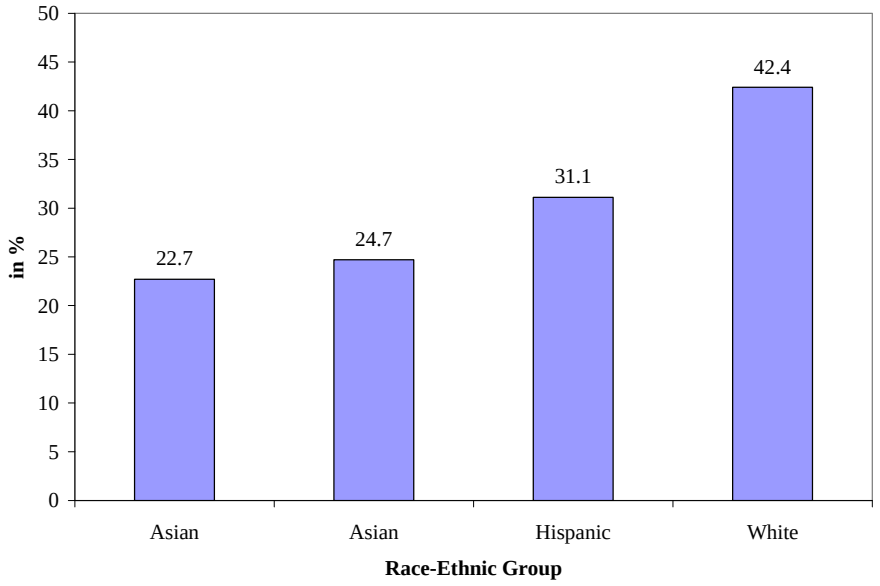


Teen employment rates (not seasonally adjusted) this summer have varied quite widely across race-ethnic groups. As projected, minority youth have fared the worst. Only 22-23 of

[4] The sharp drop in the teen employment rate from the past summer had certainly been influenced by the continued loss in payroll jobs that has reduced the overall demand for labor. Two consecutive rises in the federal minimum wage also have hurt teen employment prospects.

every 100 Black teens were at work this summer versus 31 of every 100 Hispanic youth and 43 of every 100 White youth.

Chart 2:
Employment Rates of 16-19 Year Olds by Race-Ethnicity, June-July 2008
(Not Seasonally Adjusted, Two Month Averages, in %)



The deterioration in teen summer labor market fortunes over the past eight years has affected all gender and race-ethnic groups in the teen population. Both male and female teens experienced steep declines in their June-July employment rates over the 2000-2008 time period, with males experiencing a near 16 percentage point decline in their employment rate while female teens saw their employment rate fall by just under 13 percentage points over the same time period (Table 1). Over the past 20 years (1989-2008), the male teen employment rate has declined to an extraordinarily high degree, falling from 60.2% in 1989 to only 37.8% in June-July 2008, a drop of 22.4 percentage points or nearly 40 percent.

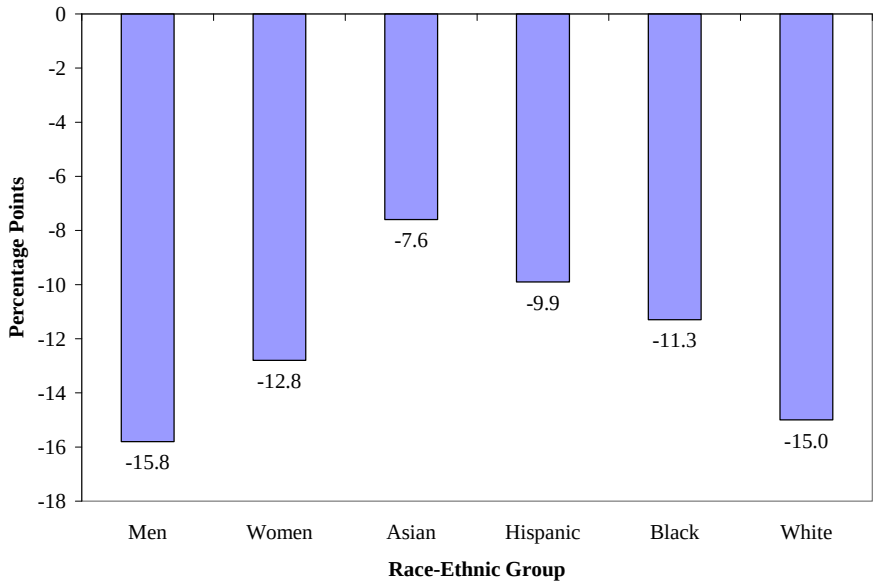
Table 1:
Comparisons of Teen Employment Rates in June-July 2000 and June-July 2008
(Not Seasonally Adjusted), Total and By Gender and Race-Ethnic Group

	(A) June-July 2000	(B) June-July 2008	(C) Percentage Point Change (B-A)	(D) Percent Change (B-A)/A
All	52.4	38.1	-14.3	-28%
Men	53.6	37.8	-15.8	-30%
Women	51.3	38.5	-12.8	-25%
Asian	32.3	24.7	-7.6	-24%
Black	34.0	22.7	-11.3	-33%
Hispanic	41.0	31.0	-10.0	-24%
White	57.3	42.9	-14.4	-26%

For teens in the four major race-ethnic groups,[5] June-July employment rate declines over the past 8 years were in the double digits for each group except Asians, whose June employment rate declined by nearly 8 percentage points between these two years. The magnitude of the percentage point declines in teen employment rates ranged from 7.6 percentage points among Asians to more than 14 percentage points among Whites. The relative sizes of these employment rate declines were in the 26 to 33 percent range for Whites and Blacks.[6]

[5] In the BLS estimates of teen employment rates, Hispanics will be included in the counts for Black and White teenagers.
[6] Due to their lower employment rate in the base period (June 2000), a given percentage point decline in the Black teen employment rate will yield a larger relative decline.

Chart 3:
Percentage Point Changes in the Employment Rates of 16-19 Year Olds
Between the Summer of 2000 and 2008 by Race-Ethnic Group
(June-July Two Month Averages)



The steep declines in teen employment rates since 2000 have not been confined to the summer months. Year-round teen employment rates are also at 60 year historical lows. During the first seven months of this year, the seasonally adjusted teen E/P ratio averaged only 33.6%, which was nearly 12 percentage points or 26% below its value for the same seven month period in 2000. Young adults (20-24) also have experienced a substantial 5 percentage point drop in their employment rate over this eight year period. In substantial contrast, the nation's older workers 55+, including those 65-69, 70-74, and 75+ years old, are working at higher rates today than they were in 2000. This dramatic "age twist" in U.S. employment rates is historically unprecedented. The older members of the baby boomers and the preceding age cohort born in the decade prior to the start of the baby boom in 1946 are working at higher rates while the youngest members of the nation's working-age population are being left behind in the labor market at record high levels.

Table 2:
Trends in the Employment Rates of U.S. Adults by Age Group
(1st 7 Months of 2000 and 2008) (in %)

Age Group	(A) 2000	(B) 2008	(C) Absolute Change	(D) Relative Change
16-19	45.4	33.6	-11.8	-25.9%
20-24	72.1	67.3	-4.8	-6.6%
25-34	81.8	79.2	-2.6	-3.2%
35-44	82.3	80.7	-1.6	-1.9%
45-54	80.7	78.9	-1.8	-2.2%
55-64	57.8	62.2	4.4	7.7%
65-69	23.5	29.5	6.1	25.8%
70-74	12.9	16.4	3.4	26.5%
75+	5.1	6.8	1.7	32.8%
All 16+	64.5	62.6	-1.9	-2.9%

Note: E/P rates are seasonally adjusted for 16-54 year olds. Seasonally adjusted data are not available for the older subgroups of worker s(55-64, 65-69, 70-74, 75+).

Contrary to some media stories, job desires among the nation's teens appear to be quite strong. There were approximately 1.8 million unemployed teens actively looking for work in June and July, yielding a (seasonally unadjusted) unemployment rate in the 21 to 22 percent range. This teen unemployment rate was four times as high as that for adults (20+). In addition to this large pool of officially unemployed teens, we estimate that there were close to 1 million teens who were not actively looking for work but wanted to work this summer. Many of the members of this unutilized labor force reserve of 1 million would seek work if they believed jobs were available. Job applicants for summer youth employment programs in big cities, including Chicago, New York City, and LA, have substantially exceeded the number of available slots.

There is much work to be done by the U.S. Congress when it returns to work later this summer. Debates over a second economic stimulus package should include several billion dollars in funds to put America's teens and young adults back to work starting this fall with an advance appropriation for at least a one million slot summer jobs program in 2009. The time for action is now.