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## The 2006 summer job market for the nation's teens : who got the jobs and who didn't and why we should care

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The 2006 Summer Job Market for the Nation's Teens: Who  
Got the Jobs and Who Didn't and Why We Should Care

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## Introduction

The summer months traditionally have provided many of the nation's teenagers an opportunity to gain an initial foothold in the labor market. The youth labor force (16-19 year olds) expands fairly substantially during the June-August period as high school and college students search for work during the summer school breaks. In the past summer, an average of 8.5 million 16-19 year olds were either working or actively looking for work. The nation's employers have typically responded to this influx of young job seekers by expanding their hiring of teens during the summer months, and national, state, and local governments often provided funds for the hiring of additional numbers of teens in government agencies and non-profit organizations during the summer.<sup>1</sup> For some youth, these summer jobs became the springboard for part-time employment during the school year and allowed for higher levels of year-round employment. In recent years, however, teens have found it increasingly more difficult to find employment during the summer months. During the summers of 2004 and 2005, national teen employment rates (seasonally adjusted) were only 36.4% and 36.8%, the lowest summer employment rates ever recorded since the CPS teen employment series began in 1948.<sup>2</sup>

This research report examines the outcomes of the summer 2006 job market for the nation's teenagers utilizing newly released CPS survey public use files and published data from the U.S. Bureau of Labor Statistics. The report will begin by examining the summer 2006 employment rate for all teens (16-19), compare the summer 2006 employment rates of teens with those of previous summers over the past two decades, and analyze variations in teen employment rates across gender, race-ethnic, and household income groups. The final two sections of the paper will provide estimates of the number of unutilized and underutilized teens in the past

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<sup>1</sup> Prior to the passage of the Workforce Investment Act in 1998, the U.S. Congress had provided the U.S. Department of Labor with a separate budget allocation under the Job Training Partnership Act (JTPA) to fund summer jobs programs for primarily economically disadvantaged youth. As WIA replaced the JTPA system in 2000, the use of youth program monies for summer youth employment programs by state and local workforce boards became optional. Subsidized summer employment opportunities for youth were substantially reduced over the following years.

<sup>2</sup> See: (i) Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, Paulo Tobar, with Sheila Palma, [Another Lost Summer of Opportunity: A Comprehensive Assessment of the Employment Experiences of the Nation's Teens in the Summer of 2004](#), Center for Labor Market Studies at Northeastern University, Prepared for Jobs for America's Graduates, Alexandria, Virginia. (ii) Andrew Sum, Joseph McLaughlin, Ishwar Khatiwada, et al., [The Summer 2005 Job Market for the Nation's Teens: Another Historically Low Employment Rate](#), Center for Labor Market Studies at Northeastern University, Prepared for Jobs for America's Graduates, Alexandria, Virginia, November 2005.

summer and discuss the implications of these findings for the design and operation of future JAG programs including the multi-year and senior year programs.

## **Data Sources and Key Employment Concepts and Measures**

All of the data on teen employment rates and labor market problems appearing in this research report are based upon the findings of the monthly Current Population Surveys (CPS), a monthly national household survey conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics.<sup>3</sup> The CPS survey involves interviews with approximately 60,000 households across the nation each month. Labor force data are collected for all household members 16 and older.

To be classified as employed in the CPS household survey, an individual must meet one of the following three criteria: worked for pay or profit for 1 or more hours in the reference week, was temporarily absent from a job for such reasons as illness, personal vacation or bad weather, or worked without pay for 15 or more hours in a family owned business. The employment rate for teens as defined in this paper is the ratio of the number of employed teens to the number of teens in the civilian, non-institutional population, a measure also referred to as the employment/population ratio.<sup>4</sup> The CPS survey also collects data on the actual hours of work of employed teens, their reasons for working part-time, their job seeking behavior, and their desire for immediate employment. This information will be used to estimate the number of teens who were unemployed, underemployed, or members of the so-called labor force reserve. Specific definitions of each of these three labor market problems will be provided in a following section of this paper.

## **Trends in Teen Summer Employment/Population Ratios, 1989-2006**

The summer job market for the nation's teens has deteriorated substantially since the summer of 2000. During the summer months of June, July, and August of 2000, teen summer employment rates (seasonally adjusted) were 45.7%, 45.9%, and 44.1%. The three-month

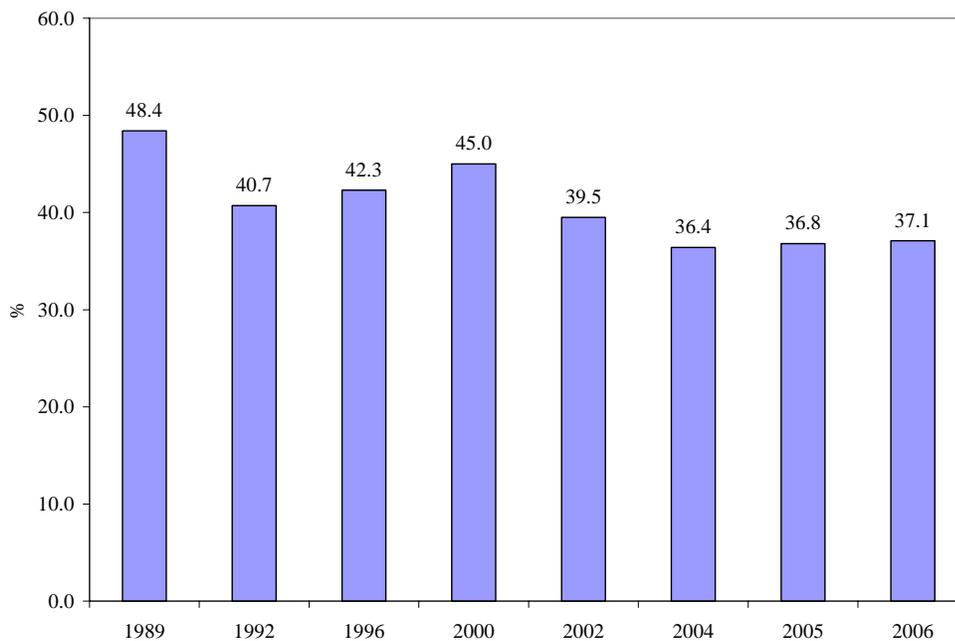
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<sup>3</sup> For a review of key design features and labor force concepts of the CPS household survey, see: U.S. Bureau of Labor Statistics, *Employment and Earnings*, January 2005, "Appendix A," U.S. Government Printing Office, Washington, D.C., 2005.

<sup>4</sup> Teens who are homeless or are inmates of institutions (juvenile homes, jails, prisons, mental hospitals) are excluded from the CPS universe.

average employment rate for this time period was 45.2 percent. The seasonally adjusted employment rate for teens during the summer of 2006 was still 8 percentage points below that of the summer of 2000 and almost 12 percentage points below the summer employment rate in 1989, the peak year of the 1980s economic boom (Chart 1). Teens were more adversely affected than any other demographic group by the national recession of 2001 and the largely jobless recovery of 2002-2003, and they have been unable to benefit to any substantive degree from the national jobs recovery that has been taking place since the early fall of 2003. The fact that teens have not been able to capture more of the new jobs created over the past few years is puzzling.

Chart 1:  
Trends in Summer Employment Rates of 16-19 Year Olds in the U.S., Selected Years  
1989 to 2006 (Seasonally Adjusted, in %)

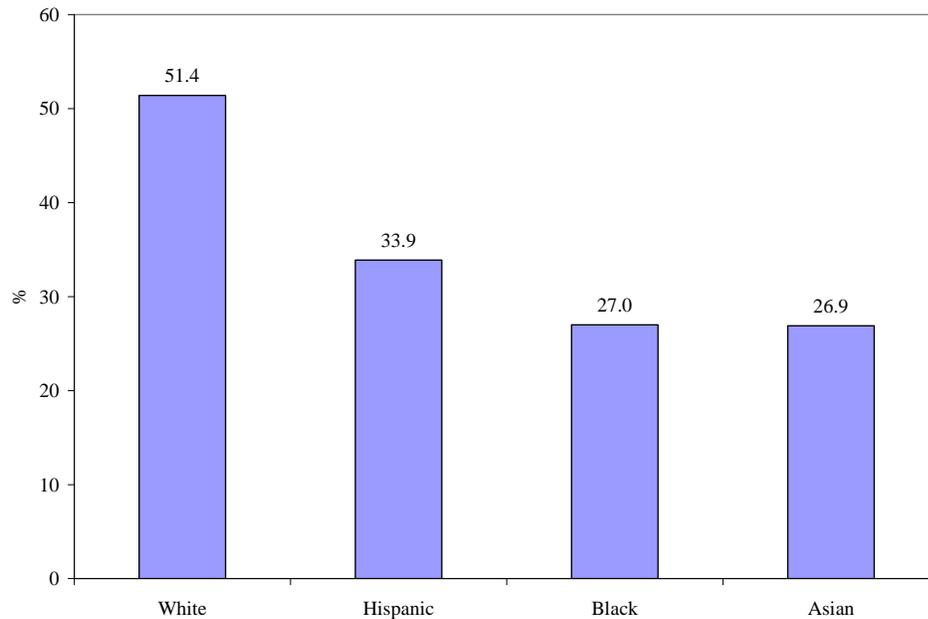


### **Who Worked During the Summer of 2006? Variations in Teen Employment Rates by Race-Ethnic Group and Household Income**

The summer 2006 employment rates of the nation's teens differed considerably across the four major race-ethnic groups (Asians, Blacks, Hispanics, White, non-Hispanics). White teens had the highest employment rate of the four race-ethnic groups displayed in Chart 2. An estimated 51% of White teens worked on average during this past summer, which was nearly

double the employment rate of Black teens (27%) and of Asian teens (26.9%). Only one in every three Hispanic teens worked this past summer.<sup>5</sup>

Chart 2:  
Employment/Population Ratios of 16-19 Year Olds in the U.S. by Race-Ethnic Group,  
Summer 2006 (Not Seasonally Adjusted)



The likelihood that a teen holds a job during the summer months typically rises with their family's annual income. Contrary to the expectations of neoclassical labor market theory, youth from affluent families are more likely to seek and find employment during the summer months. Low income youth typically experience the lowest employment rates. We classified teens into the following five household income categories:

- Under \$20,000
- \$20,000-\$40,000
- \$40,000-\$60,000
- \$60,000-\$75,000
- \$75,000 and higher

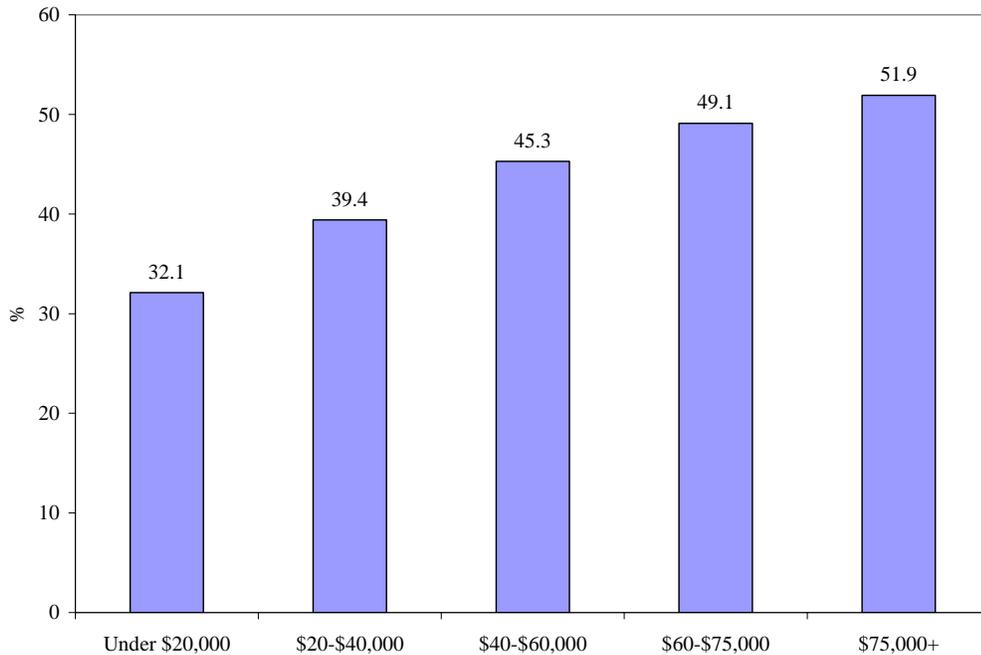
Low income teens residing in families with annual incomes below \$20,000 had a summer employment rate of only 32% versus 45% for teens with family incomes between \$40,000 and

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<sup>5</sup> The summer employment rates by race-ethnic group and household income are not seasonally adjusted.

\$60,000 and 52% for teens with family incomes above \$75,000 (Chart 3). The higher the family income of teens, the more likely they were to work during the past summer.

**Chart 3:**  
**Employment/Population Ratios of Teens in the U.S. by Household Income, Summer 2006, (Not Seasonally Adjusted)**



### **Employment Rates of Teens by Race-Ethnic and Household Income Subgroups During the Summer of 2006**

In the previous section, we provided estimates of teen employment rates for race-ethnic and household income groups separately. The following analysis examines the variations of teen employment rates across combinations of race-ethnic and household income subgroups. The 2006 summer employment rates of teens in each of our four race-ethnic groups typically rose with household income up to a certain point and then leveled off as we approached the highest income levels. In each race-ethnic group, teens in the lowest income group (those with household incomes under \$20,000) were the least likely to be employed during the past summer. For example, among Black teens, summer 2006 employment rates varied from a low of 17 percent among those with a household income under \$20,000, to 34 percent among those with incomes between \$40 and \$60 thousand, dipping slightly to 32 percent among those with incomes

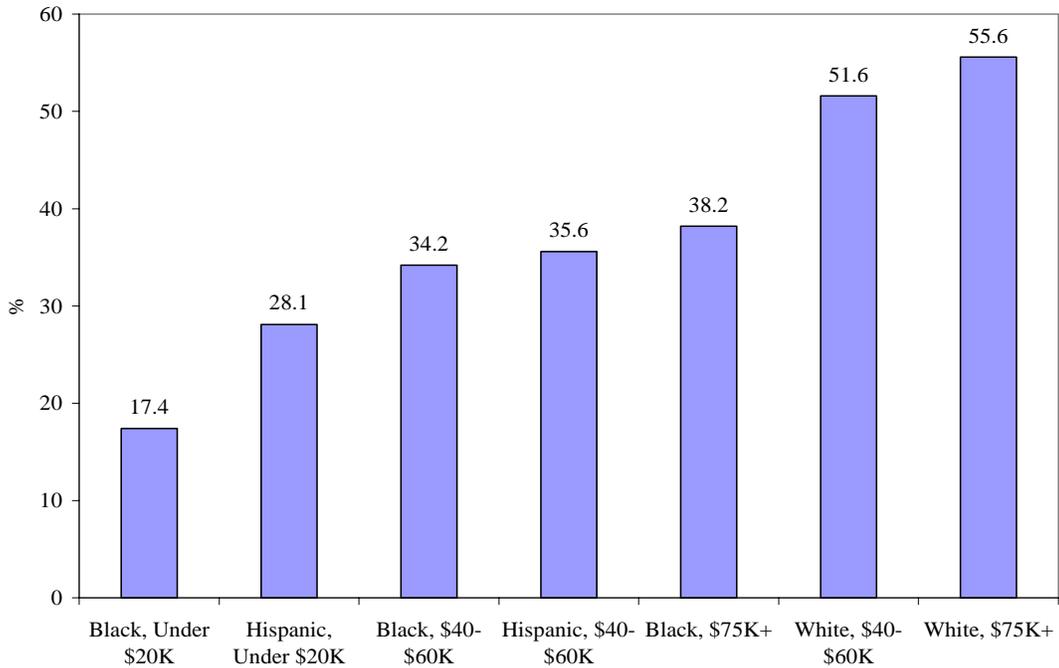
between \$60 and \$75,000, and increasing to a high of 38% for those with incomes above \$75,000 (Table 1). Similar patterns prevailed among Hispanics and Whites. In all cases, however, White teens in each income category were more likely to be working than their Asian, Black, or Hispanic teen counterparts, with frequently large race-ethnic gaps in employment rates among teens in the lower income categories. The relative size of the gap in teen employment rates between those in the lowest (low income Black and Asian teens) and highest income cells (Whites with incomes above \$75,000) exceeded three to one (see Chart 4). These very large gaps in employment rates across income/race groups have prevailed over the past five summers.

Table 1:  
Summer 2006 Employment Rates of Teens by Household Income and Selected Race-Ethnic Group (in %, Not Seasonally Adjusted)

	(A)	(B)	(C)	(D)
Household Income	Asian	Black, not Hispanic	Hispanic	White, not Hispanic
Under 20,000	16.8	17.4	28.1	45.8
20,000 – 39,999	28.6	29.5	34.5	47.9
40,000 – 59,999	33.5	34.2	35.6	51.6
60,000 – 74,999	17.2	31.7	33.9	55.3
75,000+	21.1	38.2	39.7	55.6

Source: June-August 2006 CPS public use files, tabulations by authors

**Chart 4:**  
Percent of 16 to 19 Year Olds who Worked in the Summer of 2006 by Race-Ethnic Group and Household Income (in %, Not Seasonally Adjusted)



### **Labor Force Underutilization Problems Among Teens During the Summer of 2006**

The low employment rates of the nation’s teens over the past three summers have been historically unique, and these problems have affected teens in all major demographic and socioeconomic subgroups and geographic areas. The most surprising finding is the absence of any substantive improvements in the summer teen employment rate over the past three summers despite relatively strong national wage and salary job growth, which in the past would have boosted the demand for teen workers. Increased job competition from newer immigrants, older workers (55 and older), older college students home for the summer, and young college graduates unable to obtain jobs in their chosen field of study has reduced teen employment prospects to a considerable degree. Over the past few years, a number of newspaper and magazine stories have questioned whether teens really want to work during the summer, citing their behavior in enjoying leisure time activities, including tanning at the beach and hanging out

at retail shopping malls.<sup>6</sup> To identify whether a growing lack of interest in work was a key factor underlying the drop in the overall teen E/P ratio, we analyzed the CPS public use files for the June, July, and August 2006 surveys to estimate the number of teens who were classified as unemployed, underemployed, or members of the so-called “labor force reserve”.

The unemployed are those teens who were not working during the reference week of the CPS survey, but had been actively looking for work during the previous four weeks and were available to take a job in the reference week.<sup>7</sup> The labor force reserve consists of those individuals who reported to the CPS interviewer that they wanted an immediate job even though they were not actively looking for work.<sup>8</sup> The underemployed are those teens who were working part-time (under 35 hours per week) during the reference week of the survey but wished to be working full-time. On average, these underemployed teens worked only 20 to 21 hours per week versus close to 40 hours for those working full-time. Estimates of the size of each of these three groups of unutilized and underutilized teens and their distribution by gender and race-ethnic group are displayed in Table 2. The estimates are monthly averages for the June-August 2006 period and are not seasonally adjusted.

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<sup>6</sup> See: Andrew Sum and Neeta Fogg with Ishwar Khatiwada, *The Summer 2002 Employment Situation Among America's Teens*, Prepared for the National League of Cities, Washington, D.C., August 2002.

<sup>7</sup> The CPS survey is undertaken during the calendar week containing the 19<sup>th</sup> day of the month while the reference week is the calendar week prior to the survey, i.e., the week containing the 12<sup>th</sup> day of the month.

<sup>8</sup> This group should not be confused with the BLS definition of a discouraged worker. The discouraged are a small subset of the labor force reserve. They are individuals who have looked for work in the past 12 months, cited personal or economic discouragement as their primary reason for not currently looking for work, and were available to take a job at the time of the survey. Few teens are classified as discouraged workers.

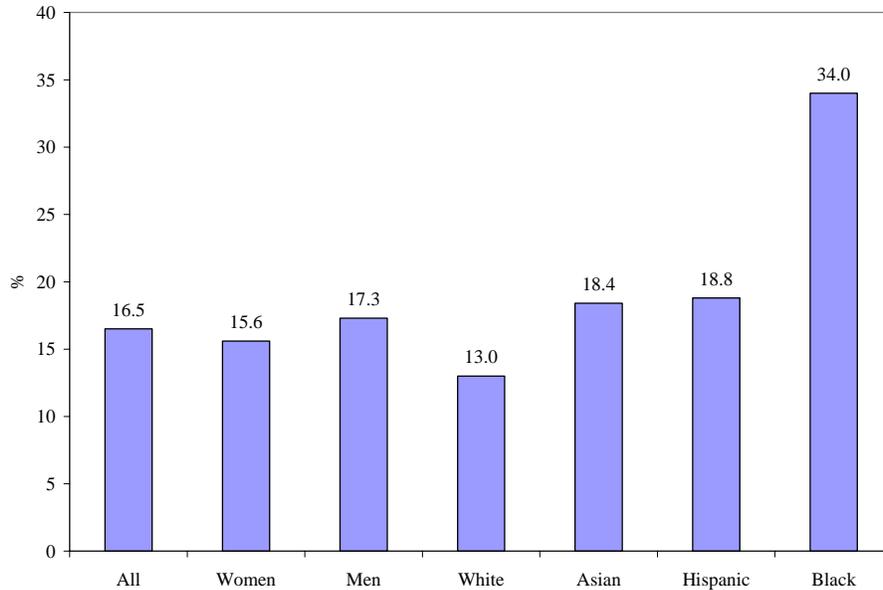
Table 2:  
Number of Teens Who Were Unemployed, Underemployed, or A  
Member of the Labor Force Reserve in the Summer of 2006 by Gender and  
Selected Race/Ethnic Group (in thousands)

	(A)	(B)	(C)	(D)
Gender/Race Ethnic Group	Unemployed	Underemployed	Labor Force Reserve	Total (A to C)
All	1,436	516	903	2,855
Men	775	257	477	1,509
Women	661	259	426	1,346
Asian	36	13	26	75
Black	342	60	190	592
Hispanic	220	64	182	466
White	791	361	477	1,629

Source: June-August 2006 CPS public use files, tabulations by authors.

The average monthly number of unemployed teens over the June-August period of 2006 was 1.44 million, yielding a teen unemployment rate of 16.5%, which was four times as high as the unemployment rate for the nation's adults (20+) over the same three month period. Male teens faced a slightly higher unemployment rate than female teens (17.3% vs. 15.6%) (Chart 5). Unemployment rates of teens varied more considerably across the four race-ethnic groups, ranging from a low of 13% for White, non-Hispanics to a high of 34% for Black teens. In the summer of 2000, the unemployment rate of the nation's teens was 13.6% versus the 16.5% rate of unemployment during the past summer. The teen unemployment rate for the summer of 2006 was, however, below that of the previous summer when it was 18%.

Chart 5:  
Summer 2006 Unemployment Rates of the Nation's Teens by Gender and Race-Ethnic Group (in % , Not Seasonally Adjusted)



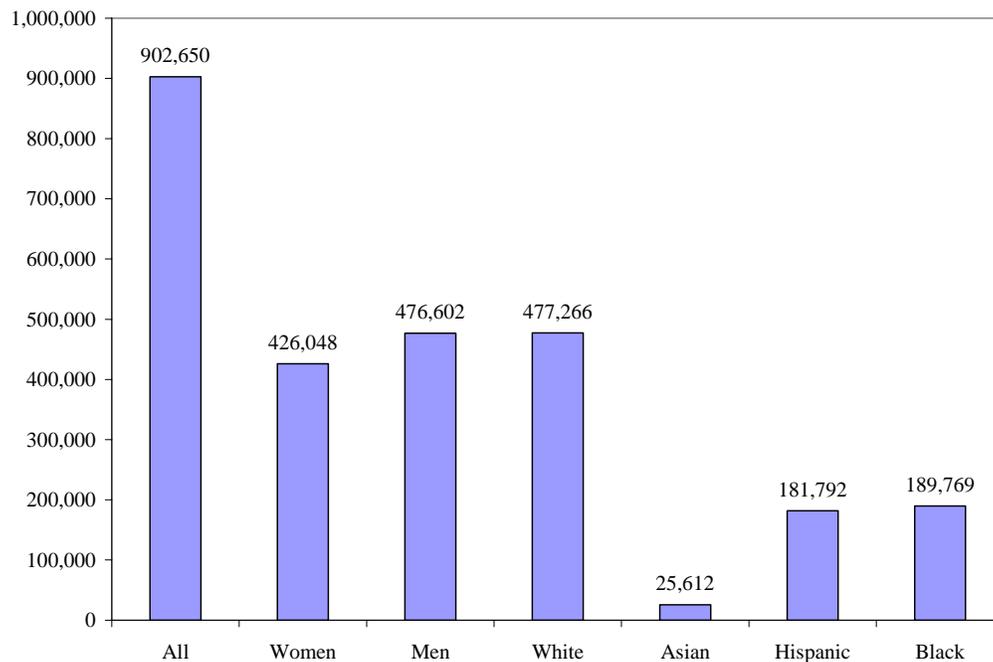
The underutilization problems of the nation's teens go far beyond the official unemployment statistics. The labor force participation behavior of teens also is cyclically sensitive, declining during periods of job loss and rising unemployment. If teens perceive that jobs are not available to them, they will stop actively looking for work and no longer be counted as unemployed in the CPS survey.<sup>9</sup> Yet, many of these teens would be willing to accept jobs if they were offered to them. On average, during the summer of 2006, there were more than 900,000 teens who were members of the labor force reserve (Chart 6). The estimated size of the teen labor force reserve, a likely conservative estimate, was quite substantial, representing 11 of every 100 teens not active in the labor force during the summer months.<sup>10</sup> This teen labor force reserve included 476,600 men and over 425,000 women. White, non-Hispanic teens accounted

<sup>9</sup> As noted above, some active job search over the past four weeks is required for a respondent to be classified as unemployed. Persons engaging in passive job search, such as reading newspaper want ads or surfing Internet job sites, do not get counted as unemployed. The CPS survey allows for proxy respondents. Adult family members, especially mothers, often respond for their teenage children. Previous national research and more recent research on teens in high poverty neighborhoods has shown that parents tend to understate both unemployment and employment among their teenaged children, especially those enrolled in high school. See: Michael E. Borus (Editor), *Youth and the Labor Market*, W.E. Upjohn Institute for Employment Research, Kalamazoo, 1982.

<sup>10</sup> There were approximately 8 million teens who were not active in the civilian labor force during the summer of 2006.

for 53% of the labor force reserve, but there were 182,000 Hispanic teens and 190,000 Black teens in the labor force reserve during the past summer (Chart 6). Nearly 13 of every 100 Black teens not actively participating in the civilian labor force expressed a desire for immediate employment. This estimate itself is likely to be quite conservative. Past evaluations of youth employment programs creating jobs for low income youth in central cities and rural areas have revealed that many teens, especially Blacks, will enroll in such employment programs when jobs are made available to them.<sup>11</sup> During the past few summers, few subsidized jobs were made available by national, state, or local government.

Chart 6:  
Estimated Average Monthly Number of Teens Who Wanted a Job But Were Not Actively Looking for Work During the Summer of 2006 by Gender and Race-Ethnic Group (in 1000s)



The monthly CPS household survey also captures information on the actual and desired work hours of employed teens. This information can be used to identify underemployed individuals, i.e., those workers who were employed part-time for economic reasons, such as slack work in their firms, material shortages, or an inability to find a full-time job. Persons working part-time for economic reasons typically average only 21-22 hours of work per week, or

<sup>11</sup> See: Robert Lerman and Andrew Hahn, *What Works in Youth Employment Policy?*, National Planning Association, Washington, D.C., 1982.

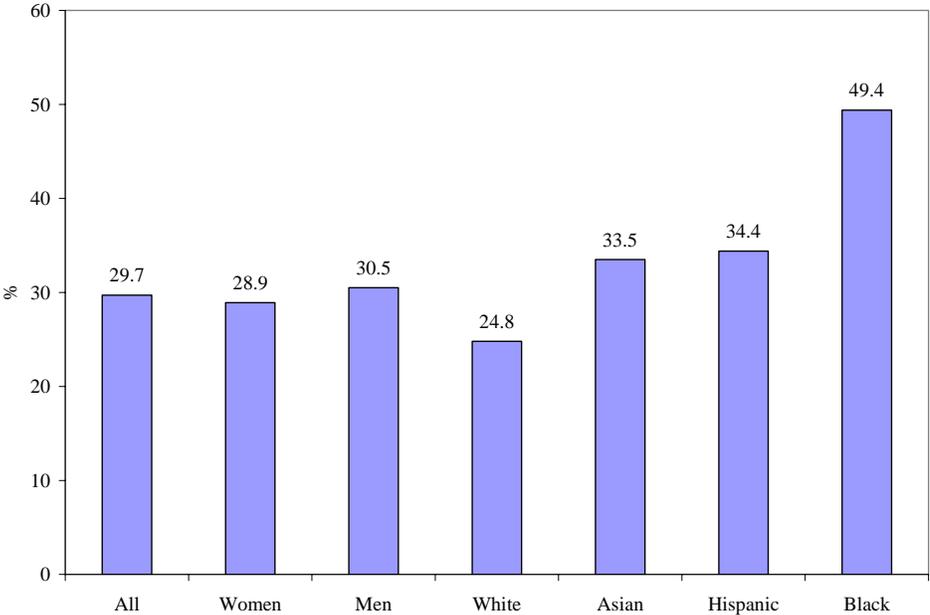
only half of the average hours worked by the full-time employed. In the summer of 2006, we estimate that there were 516,000 underemployed teenagers in the U.S., representing 7 percent of all of the employed. The incidence of underemployment problems among the four major race-ethnic groups varied from a low of 6.7 percent among Hispanic teens to a high of 9 percent among Black teenagers.

The combined pool of unutilized and underutilized teens during the past summer is equal to the sum of the unemployed, the labor force reserve, and the underemployed. On average, there were approximately 2.85 million teens who were unutilized or underutilized during the summer of 2006 (Table 3 and Chart 7). This substantial pool of unutilized and underutilized teens was equivalent to nearly 30 percent of the adjusted teen civilian labor force during the summer of 2006 (Table 3 and Chart 7). Males accounted for a majority (53%) of the unutilized pool of teen labor, but there were 1.35 million female teens who were unemployed, underemployed, or members of the labor force reserve. The incidence of labor underutilization problems during the summer of 2006 ranged from a low of just under 25% for White, non-Hispanic teens to 34% for Hispanics and to a high of 49% for Black teens. Thus, nearly one-half of all Black teens in the adjusted civilian labor force during the summer of 2006 were left either jobless or underemployed, an extraordinarily high rate of underutilization of Black teens. The sharp drop in teen summer employment over the past six years does not appear to be attributable to a declining interest in employment among teens but rather to rising levels of joblessness including both open and hidden unemployment. If the 2.34 million teens who were unemployed or members of the labor force reserve has been put to work this past summer they would have raised the teen E/P ratio by nearly 15 percentage points.

Table 3:  
Number of Teens in the Adjusted Civilian Labor Force and the Number Who Were Unutilized or Underutilized During the Summer of 2006 by Gender and Race/Ethnic Group

	(A)	(B)	(C)
Group	Adjusted Civilian Labor Force	Pool of Unutilized and Underutilized	Percent of Labor Force Unutilized or Underutilized
All	9,605,929	2,854,671	29.7
Men	4,949,830	1,508,720	30.5
Women	4,656,099	1,345,951	28.9
Asian	224,137	75,029	33.5
Black	1,197,867	592,323	49.4
Hispanic	1,351,349	465,369	34.4
White	6,567,119	1,629,356	24.8

Chart 7:  
Labor Force Underutilization Rates Among Teenagers in the U.S., by Race-Ethnic Group, Summer of 2006 (Numbers in Percent, not Seasonally Adjusted)



These high levels of hidden unemployment are likely under-estimates of the extent of the problem. Direct interviews with Black teens in high poverty neighborhoods yield much higher unemployment rates than interviews with proxy respondents. Very high fractions of low income

and minority teens are not only jobless during the summer months but also during the entire calendar year. Their high levels of joblessness in their teen years will exacerbate their difficulties in transitioning to the career labor market in their late teens and early twenties and reduce their future wage and earnings potential. Teens, especially economically disadvantaged teens, with no paid employment also are more likely to drop out of high school, become involved with the criminal justice system, and to become pregnant.<sup>12</sup>

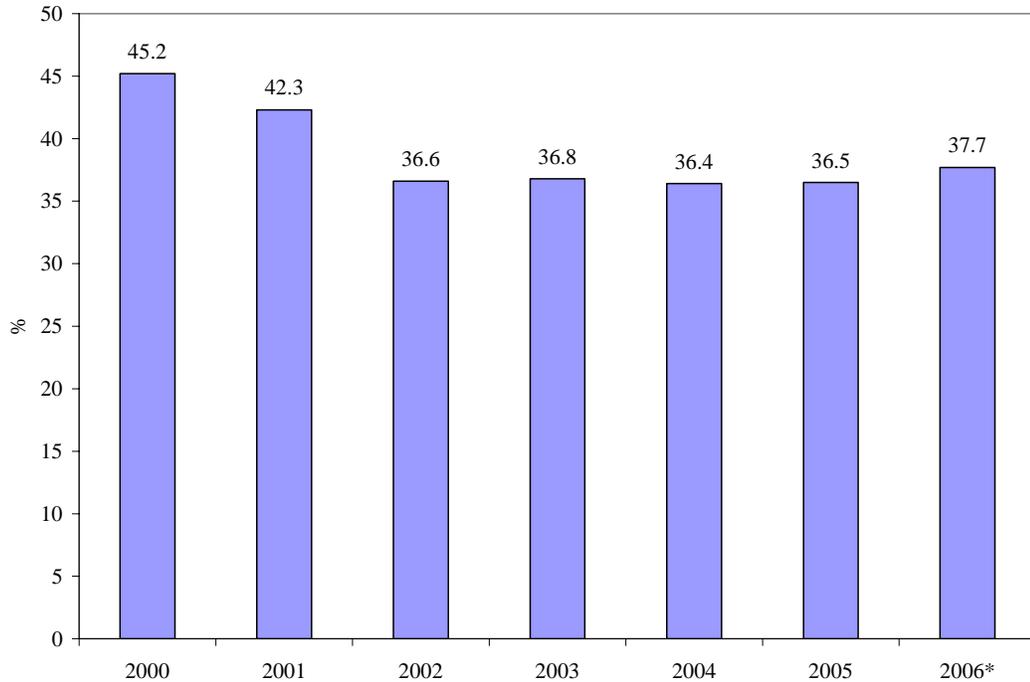
### **Year-Round Employment/Population Ratios of Teens, 2000-2006**

As mentioned above, the employment problems of the nation's teens, unfortunately, are not confined to the summer months. During calendar years 2004 and 2005, the annual average employment rates of the 16-19 year old population were only 36.4% and 36.5%, also setting the record for the lowest teen employment rates in the past 56 years. During the January-August period of this year, the E/P ratio of teens was 37.7% (8-month average), which was a percentage point higher compared to the same 8-month period of 2005, but still 7 to 8 percentage points below their employment rate in 2000 (Chart 8). Limited year-round employment opportunities for teens exacerbate their summer job market prospects. There is a clear need for improved job opportunities for teens on a year-round basis, especially low-income youth, those living in high poverty neighborhoods, and high school dropouts. Each of these groups of teens are priority target groups for JAG program services.

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<sup>12</sup> For a review of the economic benefits of early work experience, see: Andrew Sum, Neeta Fogg, and Garth Mangum, *Confronting the Youth Demographic Challenge: The Labor Market Prospects of Out-of-School Youth*, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 2000.

**Chart 8:**  
**Trends in the Employment/Population Ratio of the Nation's Teens (16-19) from 2000 to 2006, (Annual Averages, in %)\***



\* The estimate for 2006 is the average of the January-August period, seasonally adjusted.

## **Implications of the Above Findings for Future JAG Program Design and Operations**

Far fewer youth across the nation are gaining exposure to the job market and to the real world of work than in the late 1980s and 1990s. This reduced access to job opportunities has both long run and immediate adverse consequences. Youth not enrolling full-time in four year colleges upon graduation from high school tend to obtain important economic benefits from in-school work experience, both year-round and summer, and from employment in their late teens when they leave high school. Such work experience can be an important form of human capital investment, helping build non-cognitive skills, soft skills, as well as occupational skills on the job that will improve their future employability and real wage prospects.<sup>13</sup>

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<sup>13</sup> For evidence on the economic benefits of early work experience,

The above findings have revealed the difficulties faced by many teens, especially those from minority and low income households, in finding any type of employment during the past few summers. The subgroups of teens with the lowest employment rates and highest underutilization rates during the past few summers are also the groups targeted by the JAG Multi-Year and Senior Year programs. Evidence from followup surveys for JAG Class of 2003 graduates revealed that those graduates who worked during the school year and in the summer immediately following graduation were more likely to be employed in the fall and the following spring than their peers without paid summer or in-school work experience. For teens, work experience “begets more work experience,” and cumulative work experience has a high payoff in determining the wages and annual earnings of young adults in their early to mid-20’s.

We strongly recommend that the JAG multi-year programs and the Senior Year School-to-Career programs provide participants with opportunities to work during the summers in high school and during the regular school year. Graduates from the Class of 2003 who worked while in high school were significantly more likely to be employed in the fall and spring following graduation. JAG specialists should document all summer and in-school employment experiences of participants, including information on weeks and hours of work, occupational titles, and wages. Further research on the impacts of the quantity and quality of in-school work on the post-high school labor market experiences of JAG program graduates is clearly needed.

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See: (i) Andrew Sum, Tim Barnicle, Ishwar Khatiwada, Joseph McLaughlin with Sheila Palma, Educational and Labor Market Outcomes For the Nation’s Teens and Young Adults Since the Publication of America’s Choice: A Critical Assessment, Center for Labor Market Studies and National Center on Education and the Economy, January 2006. (ii) Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Prospects of Out-of-School Youth, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 2000. An analysis of the effects of non-cognitive skills on the labor market experiences of young adults is presented in the following chapter: James J. Heckman and Pedro Carneiro, “Human Capital Policy,” in *Inequality in America*, (Editor: Benjamin M. Friedman), MIT Press, Cambridge, 2003.