The Depression in the Nation's Teen Job Market: Who Worked and Who Didn't Work in the Summer of 2009?

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September 2009

Table of Contents

Introduction

The labor market fate of the nation's teenagers (16-19) has deteriorated to a much greater extent than any other age group over the past nine years.[1] The employment rate of the nation's teens over the first 8 months of this year is the lowest ever recorded since the end of World War II. Despite the availability of some American Recovery and Reinvestment Act (ARRA) stimulus monies to create jobs for low income teens and young adults this summer, the teen employment rate hit a new all time low, falling three percentage points below the summer teen employment rate projected by the Center for Labor Market Studies earlier this year.[2] The rate of deterioration is historically unprecedented.

This paper is designed to address the following questions on the employment behavior of the nation's teens this past summer over the June – August 2009 period.

- What percent of the nation's teens (16-19) were able to obtain some type of paid employment this summer?[3]
- How did the employment rates of the nation's teens compare to those in previous years from 2000 onward and from 1948 onward?
- How did the summer employment rates of the nation's teens vary across gender and major race-ethnic groups?
- How did these summer employment rates vary across family income groups and race-ethnic/family income groups?

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[1] For earlier reviews of the employment situation among the nation's teens and their labor underutilization problems in 2009 including the early summer, See: (i) Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin with Allison Beard, The Historically Low 2009 Summer Teen Employment Rate: The Massive Rate of Teen Labor Underutilization and the Case for a New, More Comprehensive Set of Youth Jobs Programs, Prepared for the Charles S. Mott Foundation, Flint, August 2009; (ii) Andrew Sum, Joseph McLaughlin, and Sheila Palma, The Current Depression in Teen Labor Markets and the Summer 2009 Teen Job Outlook, Center for Labor Market Studies, Northeastern University, Boston, a report prepared for the Charles S. Mott Foundation, Flint, Michigan, 2009; (iii) Andrew Sum, Joe McLaughlin, and Shaun O'Brien, Nation's Teen Summer Employment Rate Hits New Post-World War II Low: Effects of Federal Youth Job Creation Programs Overwhelmed By Private Sector Reductions in Teen Hiring, Center for Labor Market Studies, Northeastern University, Boston, August 2009.

[2] In the late spring, a revised projection of the summer teen employment rate by the Center for Labor Market Studies yielded a seasonally adjusted employment rate of 32.1%, for the June-August period of 2009. The seasonally adjusted employment rate was only 29.3% despite the presence of a modest WIA-funded summer jobs program that may have put 220,000 14-24 year olds to work. The aggregate estimate of job slots is from the U.S. Secretary of labor but, as yet, there is no data available on the age or gender/race-ethnic characteristics of program participants.

[3] All of our estimates are based on the non-seasonally adjusted data since we want to know the actual fraction of teens overall and in each demographic group who were actually employed this past summer. For many of the groups examined, there are no seasonally adjusted data.

- How did the employment rates of the nation's teens vary across individuals states?

As will be revealed below, there are huge variations in the employment rates of teens across race-ethnic groups, family income groups, and across states. The inability of teens to obtain substantive work experience during their teenaged years has negative effects on their employability, wages, and earnings during their late teens and early to mid 20s. Those teens with limited schooling and work experience are far more likely to become jobless, economically disadvantaged, and single mothers/fathers in their early to mid 20s, imposing large social costs on the rest of us. We should all be concerned and be afraid of the findings we are about to present.

The findings in the report are based on the Current Population Survey (CPS) public use files for the months of June-August. The CPS is a national household survey conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. The survey interviews all of the residents of a national sample of approximately 60,000 households. A statistically representative sample is selected in each state. All persons 16 and older are asked questions about their labor force activities during the calendar week immediately preceding the survey, which takes place during the week containing the 19th day of the month.[4]

On the basis of their responses to this set of labor force activity questions, each working-age household member (16+) is assigned to one of the following three labor force statuses: employed, unemployed, or out of the labor force. Our measures of the teen employment rate (the E/P ratio) is obtained by dividing the estimated number of employed teens (E) by the number of teens in the civilian non-institutional population (P). The civilian non-institutional population excludes those teens who are homeless (including those in shelters), those serving in a branch of the nation's armed forces, and those residing in institutions (juvenile homes, jails, prisons, mental institutions, long stay hospitals). We consider the employment rate (E/P ratio) to be the best measure of the labor market status of teens, but even it has some serious shortcomings. While the official unemployment rate among the nations' teen also has hit a record post-World

[4] A more detailed review of the design features of the CPS survey and the key labor force activity measures and concepts can be found in the following publication:
U.S. Bureau of Labor Statistics, Employment and Earnings, January 2007, "Appendix A", Washington, D.C.,

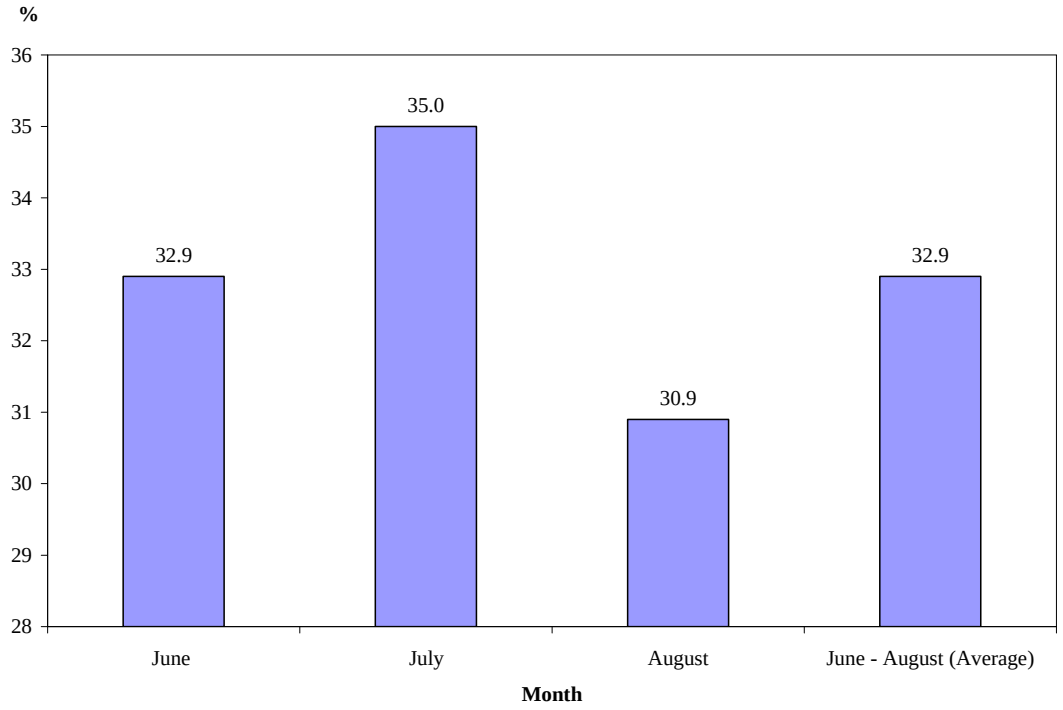
War II high in recent months,[5] it substantially underestimates the number of teens who wish to be employed at a given point in time. There were more than one million teens who wished to work this past summer but who gave up looking for work due to their perceptions that no jobs were available to young workers. Based on past research, we believe that these numbers are true underestimates of the number of teens who really wish to be employed.

The Teen 2009 Summer Employment Rates and Comparisons with Those of Earlier Years Since 2000

The labor market for the nation's teens this past summer turned out to be a quite bleak one with employment rates falling steeply from last summer's to reach another new historical low. During June, slightly under 33% of the nation's teens were employed (Chart 1). Aided by rising seasonal employment in key retail/service industries and the operation of WIA summer jobs programs, the teen employment rate reached 35 percent in July before falling sharply back down to 30.9% in August when subsidized summer jobs should have been at their peak. For the June-August period of 2009, teen employment averaged only 32.9%, nearly 5 percentage points below its average rate in the previous summer (2008) which was the lowest on record over the past 61 years.

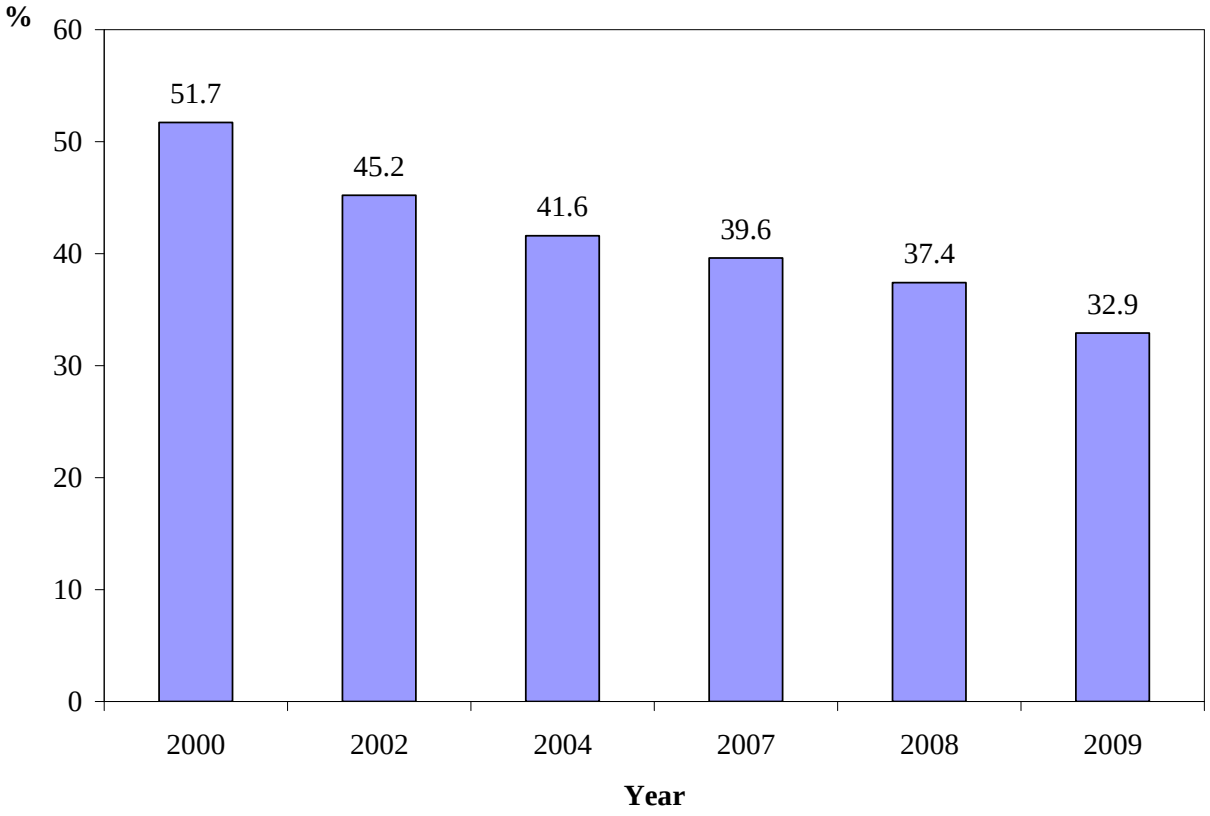
[5] See: Catherine Rampell, "Teenage Jobless Rate Reaches Record High," The New York Times, September 5, 2009, p. B-1.

Chart 1:
The Employment Rates of the Nation's Teens During the Summer of 2009 by Month
(Not Seasonally Adjusted, in %)



Trends in teen summer employment rates from 2000 to 2009 are displayed in Chart 2. In the summer of 2000 near the peak of the business cycle, the teen employment rate (not seasonally adjusted) reached nearly 52 percent, i.e. 52 of every 100 teens were employed on an average month over the June-August period. As expected, teen employment rates fell sharply during the recession year of 2001 and the jobless recovery year of 2002, dropping to 45.2% by the summer of that year. Despite some net new payroll job creation from the summer of 2003 onward, the teen summer employment rate continued to fall through the summer of 2004, declining to 41.6%. Over the next two years, despite increasing overall job growth, the teen summer employment rate barely increased, rising by only 1 percentage point by the summer of 2006 and then fell in the summer of 2007 to 39.6% before the national recession got underway, a new summer low teen employment rate.

Chart 2:
Trends in the Summer Employment Rates of U.S. Teens (16-19) from 2000 to 2009
(June – August Averages, Not Seasonally Adjusted, in %)



Since the recession began, teen summer employment has fallen very steeply, dropping to new record lows of 37.4% in 2008 and 32.9% in 2009. The WIA-funded summer youth program was simply too little, too short, and too late to have any chance of overcoming the enormous drop-off in private sector demand for youth.[6] The summer 2009 national teen employment rate was 19 percentage points below its value in the summer of 2000 and was the lowest by far of any in the past 62 years. If the nation had simply matched the summer 2000 teen employment rate of 51.7%, there would have been an additional 3.2 million more teens at work every month this past summer.

[6] Given 220,000 WIA-funded job slots of which maybe 80% went to teens for an average of 6.7 weeks and a 90% net job creation rate, the teen E/P rate would have risen by only.5%

Who Worked in the Summer of 2009? Findings by Gender, Race-Ethnic Group, and Family Income

The CPS household survey collects data on the demographic and socioeconomic characteristics of respondents and the geographic locations of their residences. This information was used together with their employment status to calculate the employment rates by gender, race-ethnic origin, family income, family income by race-ethnic group, and by individual state across the nation.

In the summer of 2009, female teens worked at a slightly higher rate than males (34% vas. 32%) (Table 1). In 7 of the last 8 years, women were modestly more likely to work than men. In no previous decade was this ever true. Since the summer of 2000, the employment rates of males have declined to a higher degree than those of their female peers, down 20.5 percentage points for men versus only 16.9 percentage points for women. Male teens have been more adversely affected by the decline in blue collar employment, the rise in immigration, especially among young less educated illegal immigrants, and the rising number of older male workers (60+) in part-time jobs. Young Black and Hispanic males have been particularly affected by these labor market developments.

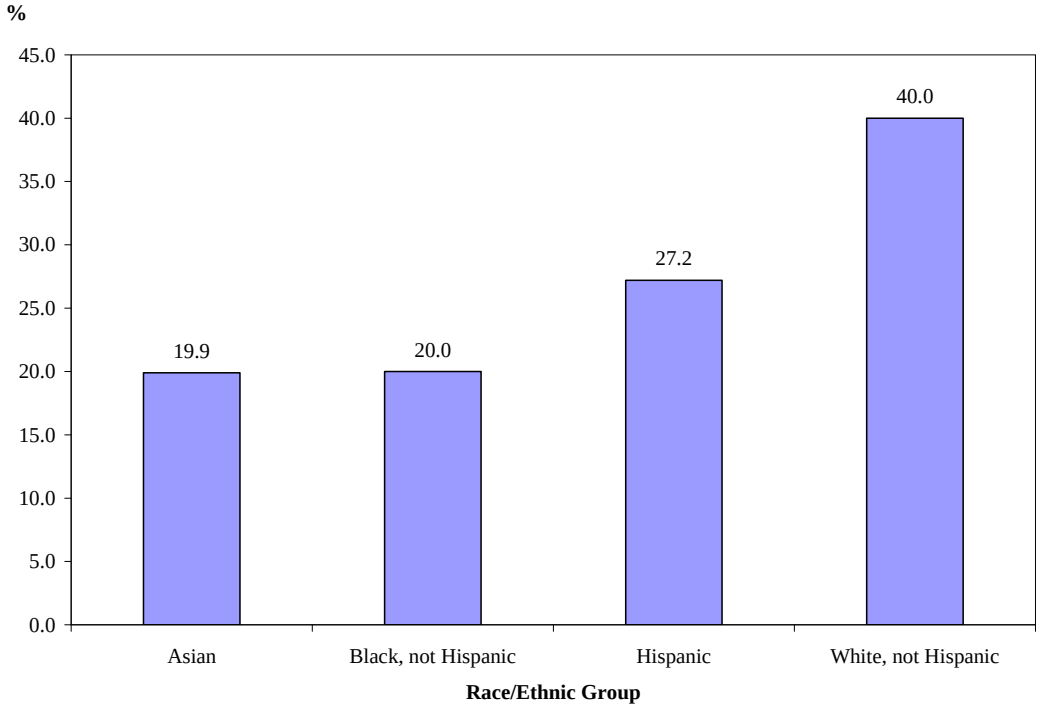
Table 1:
Trends in the Summer Employment Rates of Male and Female Teens in the U.S., Selected Years 2000 to 2009
(Not Seasonally Adjusted, in %)

	(A)	(B)	(C)
Year	Men	Women	Men – Women
2000	52.6	50.7	+1.9
2002	44.7	45.7	-1.0
2004	42.0	41.3	+.7
2007	39.2	40.1	-.9
2009	32.1	33.8	-1.7
Percentage Point Change, 2000-2009	-20.5	-16.9	-3.6

The employment rates of teens also continue to vary markedly by major race-ethnic group. Both Asian and Black, non-Hispanic youth were employed at the lowest rates (20%) followed by Hispanics at 27% and White, non-Hispanics at 40% (Chart 3). White teens were twice as likely to work in the past summer as their Asian and Black counterparts. Among both

Black and White, non-Hispanic youths, women were more likely to work than men this past summer. The employment rates of the nation's teens by gender/race-ethnic groups ranged from a low of 16% among Black males to a high of over 41% among White, non-Hispanic women, a relative difference of 25 times between these two groups of teens.

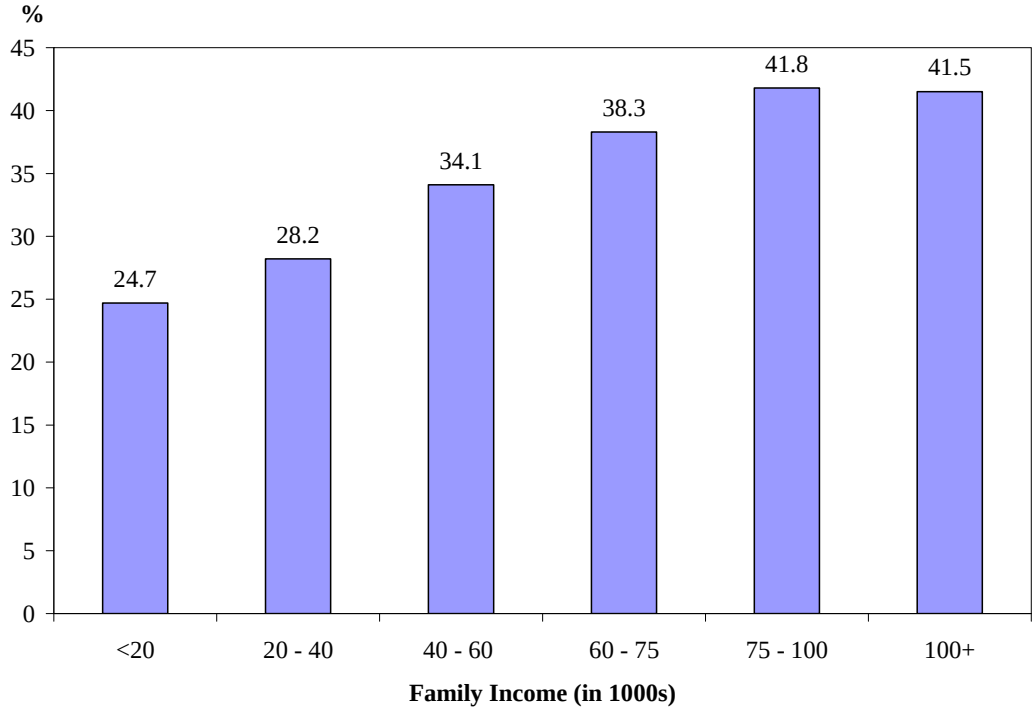
Chart 3:
Summer 2009 Employment Rates of U.S. Teens (16-19) by Race-Ethnic Group
(June – August Averages, in %)



In past summers over the previous two decades, the employment rates of teens have varied quite widely across family income groups. The employment rates of teens typically tend to increase with their family's income until those in the highest income groups are reached.[7] Teens' employment behavior is strongly correlated with their parents' work status as well. Those teens living in married couple families where both parents work are the most likely to work both year-round and during the summer. Estimates of teen employment rates by family income group in the summer of 2009 are displayed in Chart 4.

[7] This relationship tends to vary somewhat across gender. Among women, the highest E/P ratios prevailed for Black, Hispanics, and White women in the highest income group over $100,000.

Chart 4:
Summer 2009 Employment Rates of the Nation's Teens by Family Income
(June – August Averages, Not Seasonally Adjusted)



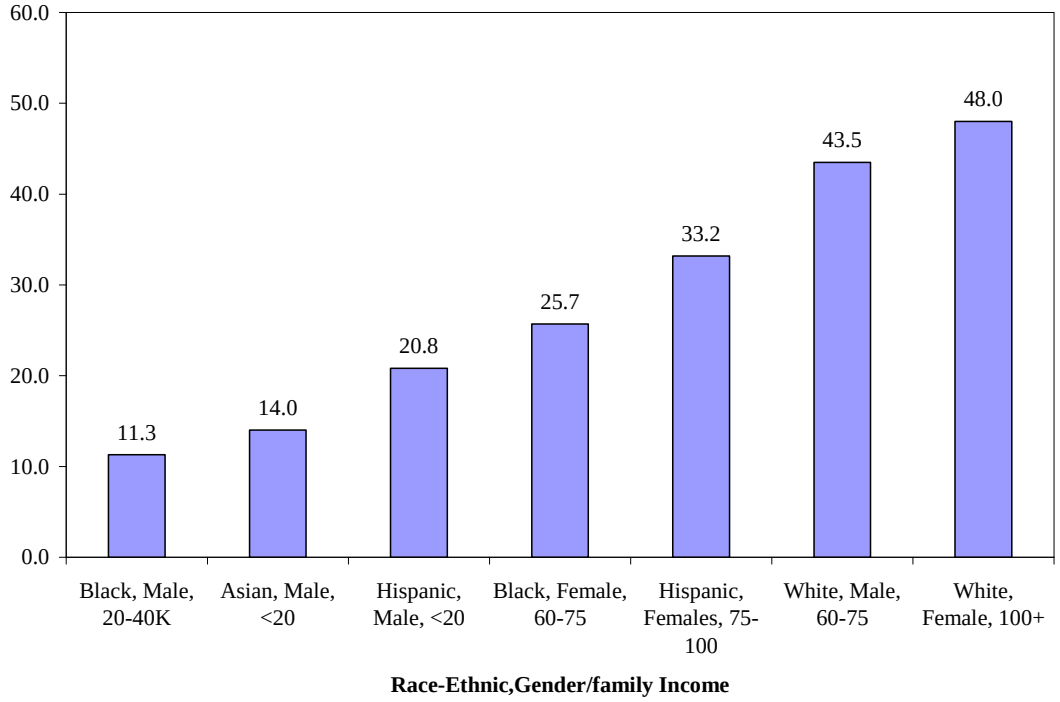
The E/P ratios of teens rose steadily and strongly with family income until incomes over $100,000 were reached. Only 1 of 4 teens with incomes under $20,000 worked versus 28% of those with incomes between $20-$40,000, 38% of those with incomes between $60 and $75,000, and 42 percent of those in the 75 – 100,000 range. Those youth in the top two family income categories were 1.7 times as likely to work as those in the lowest income group. The WIA summer youth jobs programs are based on very strict income eligibility criteria that would make many youth in the $20-$40,000 category ineligible to participate. Many low middle income youth have severe difficulties on finding employment in the U.S. in recent years. The U.S. Congress should immediately revise the outdated and increasingly irrelevant income eligibility criteria underlying eligibility for youth programs.

The positive statistical links between teen employment rates and their family's income generally held true for Blacks, Hispanics, and Whites but not for Asians.[8] For each gender/race-

[8] Among Blacks, youth in the lowest income groups (under $20,000) were more likely to work than their peers $20-40,000. Among Asians, youth from middle income families (40-75,000) were less likely to work than their low income or more affluent counterparts.

ethnic/family income groups, of teens, we estimated their summer 2009 employment rates and ranked them from lowest to highest. The estimated E/P ratios for selected subgroups of these teens, including the lowest and highest groups are displayed in Chart 5. These employment rates were lowest by far for male, Black, and Asian youth from low (<$20,000) to low-middle income families ($20-$40,000). Only 11 to 14 percent of these youth were employed this past summer. Among Hispanic women from upper middle income families, 33% worked. At the very top was the 48% employment rate among White, non-Hispanic women from the most affluent set of families, those with incomes above $100,000. This last group of more affluent White, females were 4.2 times as likely to be employed as low middle income Black males. The sizes of the relative gaps in employment rates across the nation's race-ethnic/income groups are quite extraordinary and should be viewed as deeply troublesome by the nation's economic policymakers.

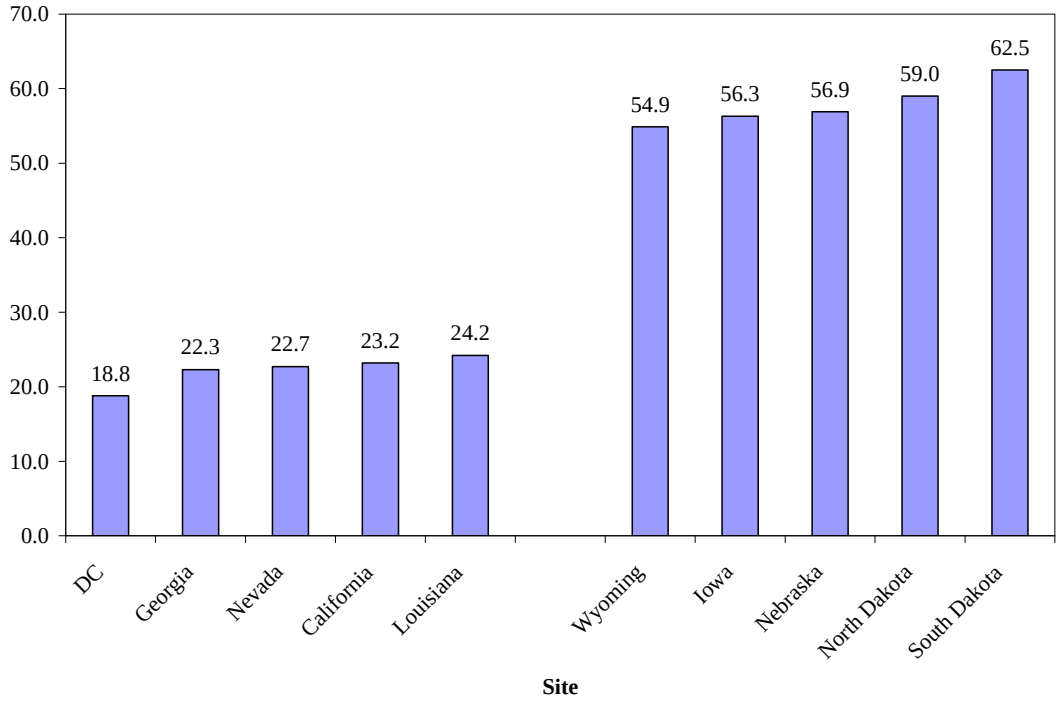
Chart 5:
Percent of U.S. Teens (16-19) in Selected Gender, Race-Ethnic/ Household Income Groups Who Worked in the Summer of 2009
(June-August Averages, in %)



Who Worked in the Summer of 2009 by State

The employment rates of teens in the U.S. vary quite widely across geographic regions, states, and substate areas.[9] To identify the degree of geographic variation in teen employment rates, we estimated summer teen employment rates for each of the 50 states and the District of Columbia. These teen employment rates varied enormously across states, ranging from lows of 19% to a high of over 62%. The summer 2009 employment rates of the top five and bottom five states are displayed in Chart 6. The bottom five states had teen E/P ratios ranging from 19 to 24 percent including D.C., Georgia, Louisiana, and California. The top five states (four of which were located in the Midwest farm belt) had teen employment rate ranging for 55 to 62 percent. These top five states had an average teen summer employment rate that was 2.6 times as high as that of the bottom five states in the country. These relative gaps in teen employment rates were greater than those for any other age group in the country.

Chart 6
The Summer 2009 Employment Rates of 16-19 Year Olds in the Five States with the Lowest and Highest Teen Employment Rates
(June – August Averages, in %)



[9] 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.

Summary of Key Findings and Their Workforce Development Implications

The nation's youth labor market has fallen into a true Depression in recent years. During the first eight months of this year and in the summer quarter, the employment rates of teens have fallen to record post World War II lows. The employment rate of teens this summer was nearly 20 percentage points below where it was in 2000, and male teens are barely working at half their rate just nine years ago.

While teens overall are working at rates well below those of a decade ago, there are substantial differences in their employment rates across race-ethnic and family income groups across states. White, non-Hispanic teens were working at rates twice as high as those of Asians and Blacks. Youth from low income families, especially Black and Hispanic males and Hispanic females, were employed at rates well below those of their more affluent counterparts. Those youth most in need of early employment experiences are the least likely to get it, reducing their future employability, wages, and earnings and increasing their likelihood of dropping out of high school, becoming teen mothers, or becoming involved with the criminal justice system.

The Current Great Depression in teen and young adult (20-24) labor markets has not been given much attention by the national media (who have lost the complete trust of the American public according to findings of recent polls by the Pew Research Center) or even by our national policymakers, including the Obama Administration and the U.S. Congress.[10] The funds recently provided to state and local WIA workforce investment board was far too limited in size, too late in implementation, too restrictive on eligibility, and too limited in duration to have any substantive impact on the teen summer employment rate or to affect their year-round employment rate (a net effect fairly close to zero). The Obama Administration, the U.S. Congress, state legislatures, local elected officials, employers and local unions need to engage in a comprehensive and systematic set of policies to boost youth employment over the next few years. Among the actions needed to assess this serious problem are the following:

(a) At the macroeconomic level, we need a substantial acceleration of GDP growth to allow overall employment to grow and to provide employers with an incentive to hire more younger workers. The median projected growth rate for aggregate real output next year (2010) is

[10] In a recent national poll by the Pew Research Center for People and the Press, only 29 percent of the respondents said that the news media "generally get the facts straight."
See: Ann McFeatters, "Bad News, Media," The Boston Herald, September 19, 2009, p. 15.

still only 2.0%, which will not allow for any increase in aggregate employment. Teen employment typically lags far behind overall employment growth. If the future behaves like the recent past, there will be no teen job growth for at least the next two to three years in the absence of new public policies.

(b) The federal and state governments should immediately allocate monies to state and local WIA agencies to expand the hiring of full-time, full year career specialists to develop jobs for high school youth in the private-for-profit and non-profit agencies with no income eligibility criteria attached to participation.

(c) The federal government should pass a tax credit program for the hiring of teens and young adults similar to that under the New Jobs Tax Credit of 1978. Firms adding net new workers to their payrolls would get a substantive tax credit for the hiring of teens and young adults.

(d) The U.S. Department of Labor should once again experiment with the use of wage subsidies to encourage private sector firms to hire jobless teens, particularly in low income areas. Given the back-to-back steep rises in the federal minimum wage that has priced some youth out of the labor market, a fiscal incentive to encourage their hiring is needed.

(e) The U.S. Congress should immediately pass legislation to provide additional WIA funding for the subsidized hiring of youth both year-round and during the summers. The income eligibility criteria for participation should be immediately changed by the U.S. Congress to replace an outdated and archaic formula that has damaged the ability of WIA youth agencies to fund solid youth job creation programs and has led to “tagging” of honest low income youth to gain entry into the program. It is time for the U.S. Congress to show some moral and economic leadership on this crucial topic for the future of our youth.