

Dire Straits in the Nation's Teen Labor Market:  
The Outlook for the Summer 2010 Teen Job  
Market and the Case for A Comprehensive Youth  
Jobs Creation Strategy

Prepared by:

Andrew Sum

Ishwar Khatiwada

With

Sheila Palma

Center for Labor Market Studies

Northeastern University

Boston, Massachusetts

Prepared for:

C.S. Mott Foundation

Flint, Michigan

**April 2010**

## Table of Contents

Introduction.....	1
Trends in the Employment Rates of Teens from 2000 Through 2010 I .....	2
The Changing Labor Market Fortunes of Key Demographic and Socioeconomic Groups of Teens .....	4
The Underutilized Labor Pool Among The Nation’s Teens and Its Personal Economic and Social Costs.....	8
The Summer Employment Experiences of the Nation’s Teens 2000-2009 and the Predicted Job Outlook for the Summer of 2010 .....	13
The Job Creation Impacts of a Modest Summer Jobs Program for the Nation’s Teens .....	17
Where Do We Go From Here? .....	20

"The crippling nature of the joblessness that has moved through the society like a devastating virus has gotten neither the attention nor the response that it deserves."

Bob Herbert, *New York Times*, April 13, 2010

## Introduction

During the past decade (2000-2009), the nation's labor markets have performed quite poorly on nearly all measures: employment growth, unemployment, underemployment, and real wage gains of full-time workers. The nation's teens (16-19) and young adults (20-29), especially those without four year college degrees, have fared the worst. Over the decade, the employment rates of teens and young adults reached new post-World War II lows while the employment rates of the nation's older workers (55 and older) increased.<sup>1</sup> The labor market problems of teens and young adults (20-24 years old) have not received much attention from the nation's and most states' economic policymakers over the past 9 years. The only major new initiative for youth was a small scale and very short-term job creation program for low income youth (14-22) in the summer of 2009 financed under the American Recovery and Reinvestment Act.<sup>2</sup>

This research paper is focused on the deteriorating labor market plight of the nation's teens over the past decade in the U.S., especially since the inception of the Great Recession of 2007-2009. Labor markets are only now (March 2010) beginning to emerge from the recession.<sup>3</sup> Our paper will begin by reviewing trends in the employment rates of the nation's teens (16-19) from 2000 through the first quarter of 2010 when their employment rate hit a new post-World War II low. The changes in the employment rates of teens from the end of 2007 through the February-March period of 2010 will be compared to those of adults in other age groups to illustrate the impacts of the Great Recession on the labor market situation of teens and young adults (20-24). The declines in the employment rates of teens in key gender, race-ethnic, and family income groups will be described and analyzed. The extremely depressed state of the labor market for Black male teens and those from low income families will be identified.

---

<sup>1</sup> For evidence on these dramatic age twists in employment rates by age group, See: (i) Andrew Sum, Ishwar Khatiwada, and Sheila Palma, "The Age Twist in Employment Rates, 2000-2004," *Challenge*, No. 4, July-August 2005, pp. 51-68; (ii) Andrew Sum, Ishwar Khatiwada, and Joseph McLaughlin, *In With the Old and Out with the Young: The Dramatic Age Twists in Employment Rates of Working Age Adults in the U.S., 2000-2009*, Center for Labor Market Studies, Northeastern University, Boston, March 2009.

<sup>2</sup> Given the short duration of the summer jobs programs (6-7 weeks) and its comparatively small number of enrollments (320,000) not all of which went to 16-19 year olds, we estimate that the net impact of the program on the year-round employment rate of teen was less than .2 percentage points.

<sup>3</sup> While the National Bureau of Economic Recession has earlier identified December 2007 as the peak of the previous business cycle, it still has not yet identified the ending month of the recession. See: "The Recession: When Did It End?," *The Economist*, April 17, 2010, pp. 30,32.

The labor market problems of the nation's teens at the end of calendar year 2009 will then be examined, including open unemployment, hidden unemployment, and underemployment; i.e., working part-time but desiring full-time work. The pool of underutilized labor and the underutilization rate will be estimated and its consequences assessed.

The final section of the paper will provide an overview of the summer job market for teens over the 2000-2009 period, a projection of the summer 2010 employment rate for teens in the absence of any new job creation effort, and the magnitude of the additional number of jobs for teens that are needed to restore the summer teen employment rate to its value in 2000. The public policy implications of these findings will be reviewed.

## **Trends in the Employment Rates of Teens from 2000 Through 2010 I**

The teen job market in most parts of the U.S. has essentially collapsed since 2000. During 2000, at the end of the labor market boom of the 1990s, the teen employment rate (the employment/population ratio) reached 45.2%.<sup>4</sup> During the recession of 2001 and the largely jobless recovery of 2002-2003, the teen E/P rate declined considerably, falling to 36.8% in 2003 (Chart 1).<sup>5</sup> During the national jobs recovery from the early fall of 2003 through the end of 2007, teens gained very few net new jobs. Their employment rate peaked in 2006 at 36.9%, only .1 percentage points higher than in 2003. Teen job prospects began to decline ahead of the national recession, with their employment rate falling to 34.8% in 2007. By 2009, their employment rate had dropped to 28.4%, a new post-World War II low and would fall further to 26.2% (seasonally adjusted) in January-March 2010. The teen employment rate in the first three months of 2010 was barely more than one-half of its value in 2000, the mark of a true depression in the nation's teen labor market.

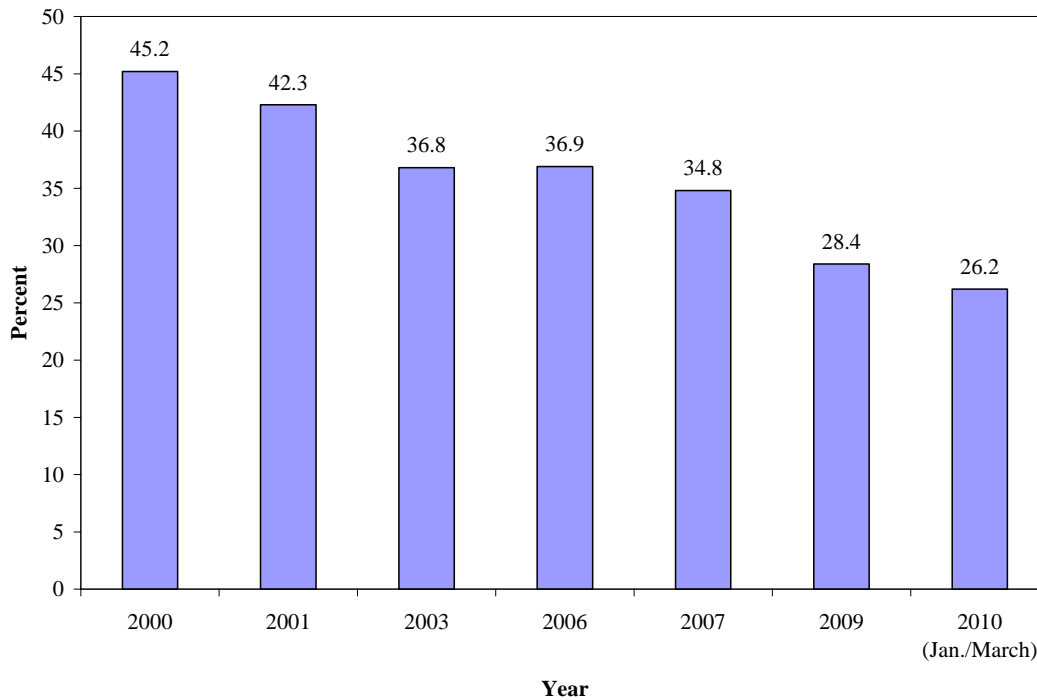
---

<sup>4</sup> The E/P ratio represents the percent of the teen civilian non-institutional population (P) that is employed in paid work, including self-employment. Members of the armed forces and inmates of institutions, such as juvenile detention, prisons, and jails, are excluded from the population counts.

<sup>5</sup> For earlier reviews of the impacts of the 2001 recession and the jobless recovery of 2002-2003 on the teen and young adult labor market,

See: (i) Andrew Sum, Nathan Pond, and Sheila Palma, The Impacts of the 2001 National Recession and the Ensuing Jobless Recovery on the Employment of the Nation's Teens and Young Adults, Prepared for the National League of Cities, Washington, D.C., 2002; (ii) Andrew Sum, Ishwar Khatriwada, with Susan Perron, Still Young, Restless, and Jobless: The Growing Employment Malaise Among U.S. Teens and Young Adults, Center for Labor Market Studies, Northeastern University, Boston, January 2004.

Chart 1:  
Trends in the Employment/Population Ratios of U.S. Teens, 2000-2010  
 (Selected Years, Annual Averages, Except 2010)



The Great Recession of 2008-2009 has markedly reduced employment opportunities for all working age adults (16+), but the magnitude of these declines have varied widely across major age groups, with teens (16-19) and young adults being the most adversely affected. The employment rate for all U.S. working-age adults (16+) declined by 4.2 percentage points from 62.8% in November-December 2007 to 58.6% in February-March of 2010 (Table 1). In contrast, the teen employment rate fell by 8 percentage points to 26.4% in February-March 2010. The decline in the teen employment rate was twice as high as that for all working-age adults over this time period. Young adults (20-24) also experienced a very sharp decline (-7.8 percentage points) in their employment rate, with young adult males also facing record post-WWII lows in their employment rates. The percentage point sizes of these declines in employment rates fell steadily with the age of the adults, falling to -4 percentage points for those 45-54 years of age and to under 2 percentage points for those 55-64 while the E/P ratio for those 65+ increased very modestly by .2 percentage points.

Table 1:  
Trends in the E/P Ratios of Key Age Subgroups of U.S. Workers from  
November-December 2007 to February-March 2010  
 (Seasonally Adjusted in %)

	(A)	(B)	(C)
Age Group	November – December 2007	February – March 2010	Percentage Point Change
All 16+	62.8	58.6	-4.2
16 – 19	34.4	26.4	-8.0
20 – 24	67.8	60.0	-7.8
25 – 34	79.0	74.0	-5.0
35 – 44	80.8	76.2	-4.6
45 – 54	79.3	75.2	-4.1
55 – 64	62.3	60.5	-1.8
65+	15.9	16.1	+.2

Source: U.S. Bureau of Labor Statistics, “Monthly CPS Labor Statistics,” web site.

### **The Changing Labor Market Fortunes of Key Demographic and Socioeconomic Groups of Teens**

Overall, the teen population has fared very poorly in the labor market over the past decade. To identify the fate of key demographic and socioeconomic groups of teens, we examined changes in employment rates over the past decade (2000-2010 I) for gender, race-ethnic, and combined gender-race groups of teens. Findings in Table 2 clearly reveal that each gender and major race-ethnic group experienced extraordinarily large drops in their employment rates over the past decade. Every gender and race-ethnic group encountered double-digit percentage point declines in their employment rates over this time period, with the relative size of these declines in employment rates being higher for men than for women (-45% versus -39%) and for Black (-48%) than for either Hispanics (-42%) or Whites (-41%).

Table 2:  
Trends in the Employment/Population Ratios of U.S. Teens in  
Gender and Selected Race-Ethnic Groups from 2000 to 2010 I

	(A)	(B)	(C)	(D)
Group	2000	2010 I	Percentage Point Change	Percent Change
All	45.2	26.2	-19.0	-42%
Men	45.4	25.1	-20.4	-45%
Women	44.7	27.4	-17.3	-39%
Black	29.8	15.4	-14.4	-48%
Hispanic <sup>(1)</sup>	38.6	22.2	-16.4	-45%
White	49.1	29.1	-20.0	-41%

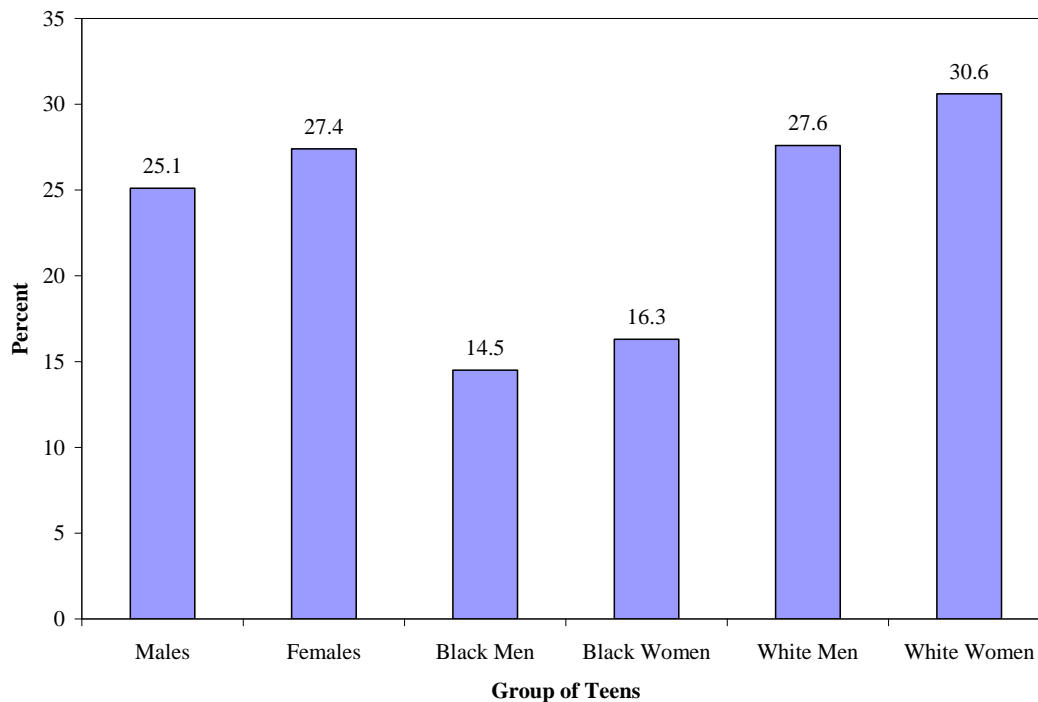
Note: The employment data for Hispanic teens in 2010 I were seasonally adjusted at the same rate as all teens.

The past few decades have seen a major shift in gender disparities in teen employment rates. By 2000, due to a more rapidly rising teen employment rate for teen women, there was near gender equality in teen employment rates (45.5% for men and 44.7% for women). By 2001, teen women surpassed teen males in their employment rate for the first time (42.5% vs. 42.2%), and they have achieved higher employment rates every year since. In the first quarter of 2010, the teen employment rate for teenaged girls was 2.3 percentage points higher than that of boys (27.4% vs. 25.1%). Among both Black and White teens, women were more likely to be employed than male teens in the first quarter of 2010. Only 1 of every 7 Black male teens held any type of job in the January-March period of 2010, less than half their rate of employment in the first quarter of 2000. Among low income Black males, fewer than 1-10 were working in the first quarter of this year. The employment rate of Black male teens in the first quarter of 2010 was less than half as high as that of White females. The widespread joblessness in inner city Black neighborhoods among teens and young adults is contributing to the growing violence among teens and teen gangs in our cities. The recent murderous spree in Chicago, Washington, D.C., and New Haven, Connecticut are prime examples of this growing inner city violence.<sup>6</sup>

---

<sup>6</sup> See: (i) Chicago Breaking News, "A Bloody 12 Hours in Chicago; 7 Dead, 18 Wounded," April 16, 2010; (ii) Peter Applebone, "In the Shadow of Yale, A World A Million Miles Away," The New York Times, April 15, 2010.

**Chart 2:**  
**2010 I Employment/Population Ratios of Teens in Gender and Selected**  
**Gender/Race-Ethnic Groups, Seasonally Adjusted in %**



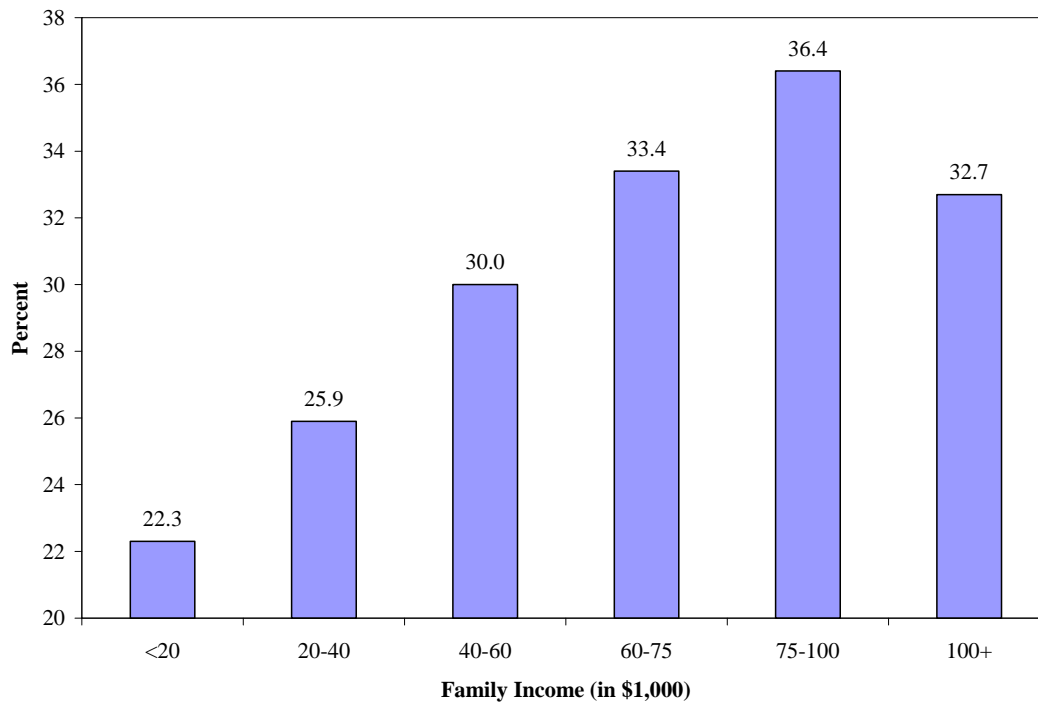
Teen employment patterns also are strongly linked to their family living arrangements and the incomes of their families. Those teens living in married couple families where both mother and father are employed are the most likely to work while those living in single parent families where the head did not work are typically the least likely to work. Parents serve as both role models for their children and often as brokers into their paid employment positions.

The ability of the nation's teens to secure any type of employment in 2009 also was strongly associated with their family's income level. The more affluent the teen's family as measured by its annual income, the greater the likelihood that he/she was employed until family incomes over \$100,000 were reached (Chart 3). Among those teens living in the lowest income families (under \$20,000), only 22 of every 100 were employed during an average month in 2009. The employment rate of teens increased to 26% for those residing in families with incomes between \$20,000 and \$40,000, to 30% for those with annual incomes between \$40,000 and \$60,000, and to a high of 36.4% for those with family incomes between \$75,000 and \$100,000



(Chart 3).<sup>7</sup> Very similar relationships between teen E/P rates and family incomes prevailed in most states as well during that year.

Chart 3:  
2009 Employment Rates of U.S. Teens by Family Income  
(Annual Averages in %)



Low income youth fare much better in the labor market when the national economy is strong or when they live in a state with above average teen employment rates. For example, in the national, full employment labor market environment of 2000, nearly 38 of every 100 teenagers with family incomes under \$20,000 worked on average during the year. By 2009, in a very slack labor market, only 22 of every low income teens were employed, a relative decline of about 42% in their employment rate over this nine year period.

In 2009, the employment rates of low income teens varied widely across individual states and were strongly correlated with the overall incidence of teen employment. Their employment rates ranged from lows of 10-13 percent in Arizona, Indiana and New Jersey to highs of 48-49% in Nebraska and Utah. Those low income youth living in states with the six highest employment rates for teens in 2009 were characterized by an average employment rate of 40% (Table 3).

---

<sup>7</sup> A similar finding for 2008 revealed that E/P rates of teens rose steadily with family income until those with incomes over \$125,000 were reached

Among those low income youth residing in the six states with the lowest teen employment rates in 2009, including California, New Jersey, and New York, the employment rate of low income teens averaged only 16.5%, barely 40% as high as the employment rate of low income teens in the states with the most favorable labor market conditions for teens.

**Table 3:**  
**The 2009 E/P Ratios of Low Income Teens in the Six States with the Highest and Lowest Employment Rates for All Teens (16-19 Years Old) in 2009**

Top Six States	E/P Ratio for Low Income Youth	Bottom Six States	E/P Ratio for Low Income Youth
Wyoming	41.3	New Jersey	10.3
Wisconsin	28.3	New York	13.3
North Dakota	42.8	Georgia	20.9
Iowa	41.5	California	19.7
South Dakota	40.0	Mississippi	16.2
Nebraska	47.6	District of Columbia	18.7
Average Top Six States	40.2	Average Bottom Six States	16.5

Source: 2009 Monthly CPS surveys, public use files, tabulations by authors.

The absence of work for low income teens has been found by past research to be associated with greater difficulties in transitioning to the labor market upon high school graduation, higher school dropout rates among Black and Hispanic males, higher teen pregnancy rates, and increased involvement with the criminal justice system.<sup>8</sup>

## **The Underutilized Labor Pool Among The Nation's Teens and Its Personal Economic and Social Costs**

The steep declines in employment among the nation's teens over the past decade might have been expected to increase most teen labor market problems, including unemployment, both open and hidden, and underemployment. Yet, some media reports since 2002 have argued that the decline in teen employment, especially during the summer months, was primarily attributable to a lack of interest in employment among teens. Some stories referred to jobless teens as "mall

<sup>8</sup> See: (i) Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Problems of At-Risk Youth, Sar Levitan Center for Social Policy, Johns Hopkins University, Baltimore, 2000, (ii) Marta Tienda and Avner Ahituv, "Ethnic Differences in School Departure: Does Youth Employment Promote or Undermine Educational Attainment?", in Of Heart and Mind, (Editors: Garth Mangum and Stephen Mangum), W.E. Upjohn Institute for Employment Research, Kalamazoo, 1996, pp. 93-110.

rats” interested in shopping and hanging out at the mall while others, including a Washington Post reporter, reported teens to be “working on nothing but their tans”.

While some teens clearly have no serious interest in working, our analyses of available data on unemployed and underemployed teens and those who wanted jobs but gave up looking for work revealed a very large number of teens who were unutilized or underutilized but desired work.<sup>9</sup> During the summer of 2009 (June-August), we estimated nearly 3.3 million teens who were members of the underutilized labor pool.

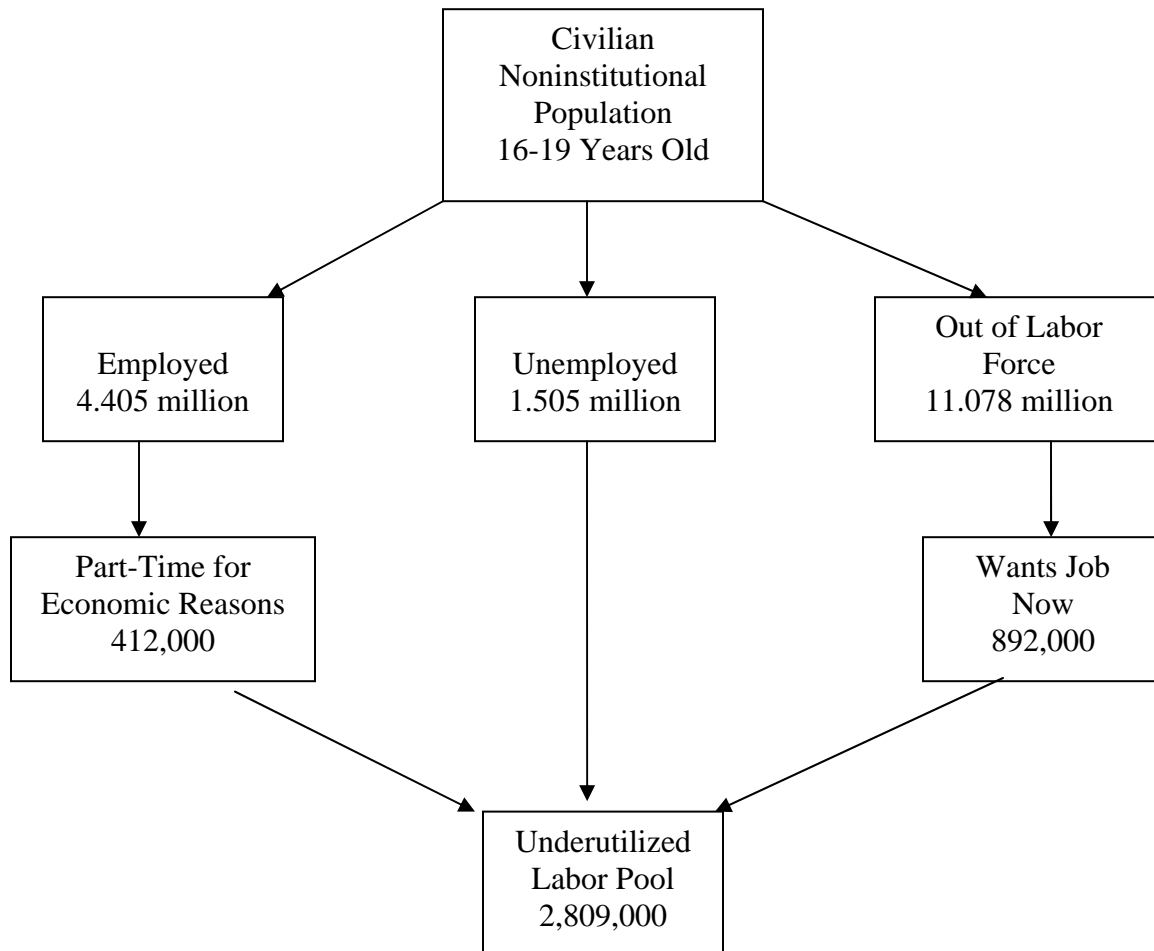
Estimates of the pool of underutilized teen labor in the fourth quarter of 2009 are displayed in Chart 4 and Table 4. During the quarter, there were 5.9 million teens who were members of the official civilian labor force of whom 1.505 million or 25.5% were unemployed. The open unemployment rate of the nation’s teens during this time period was more than three times as high as that of the nation’s adults (25 and older), while the Black teen unemployment rate hovered in the 45 to 50 percent range.<sup>10</sup>

---

<sup>9</sup> See: Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, and Allison Beard, “Historically Low Teen Employment,” Challenge, January-February 2010, pp. 87-108

<sup>10</sup> The seasonally adjusted unemployment rate for adults 25 and older in the fourth quarter of 2009 was equal to 8.5% versus 27.2% for teens.

Chart 4:  
Estimating the Pool of Underutilized Teen Labor (16-19 Years Old) in  
the U.S. in the Fourth Quarter of 2009



The labor market problems of the nation's teens go well beyond the official unemployment statistics, which themselves have been found to be downward biased estimates of the true unemployment situation among teens given proxy respondents in the monthly CPS household survey.<sup>11</sup> Those teens who were not actively participating in the labor force at the time of the CPS survey were asked whether they wanted a job now. Of the 11.078 million teens

<sup>11</sup> In the CPS survey, the mothers of the teens or other adult members in the household often provide the information on the labor force behavior of the teens living in the household. Previous research over the past few decades, including that conducted under the national Youth Opportunity Grant demonstration (YOG) has shown that direct interviews with the youth themselves yield higher estimates of unemployment as well as slightly higher estimates of employment.

See: Richard B. Freeman and James Medoff, "Why Does the Rate of Youth Labor Force Activity Differ Across Surveys?," in the Youth Labor Market Problem: Its Nature, Causes, and Consequences, University of Chicago Press and National Bureau of Economic Research, 1982.

not active in the labor force in the fourth quarter of 2009, nearly 900,000 wanted a job at the time of the survey (Table 5). This group will be referred to as the labor force reserve or the “hidden unemployed.” Of all age groups, teens are characterized by the highest incidence of these hidden unemployment problems.

Table 4:  
The Underutilized Labor Pool and the Underutilization Rate Among Teens in the U.S., 2009 IV  
(Not Seasonally Adjusted)

Variable	Value
Civilian Labor Force	5.910 million
Unemployed	1.505 million
Unemployment Rate	25.5%
Employed Part-Time for Economic Reasons	.412 million
Labor Force Reserve (hidden unemployed)	.892 million
Adjusted Civilian Labor Force	6.802 million
Underutilized Labor Force	2.809 million
Underutilization Rate	41.3%

The third group of underutilized teens are the so-called underemployed; i.e., those persons who are working part-time but desire full time jobs. Of the 4.405 million employed teens in the fourth quarter, 412,000 reported themselves as being underemployed. The underemployed typically work 18 to 20 fewer hours per week than their full-time employed counterparts and earn lower hourly wages. They are also less likely to receive key employee benefits and to be trained by their employers, and they receive a significantly lower return on their work experience in the form of higher wages on future jobs.<sup>12</sup>

The combined number of underutilized teens in the fourth quarter of 2009 was 2.809 million (Table 5). Adding the members of the labor force reserve to the official civilian labor force yields an adjusted labor force for teens of 6.802 million. The value of the teen underutilization rate is obtained by dividing the number of underutilized teens (2.809 million) by the adjusted civilian labor force (6.802 million). The underutilization rate for teens was, thus, equal to 41.3% in the fourth quarter of 2009. This underutilization rate was nearly two and one

---

<sup>12</sup> For a more detailed overview of the nature of underemployment problems in the U.S., See: Andrew Sum, Ishwar Khatriwada, et. al., The Underemployed in U.S. Labor Markets: Their Size, Demographic, Socioeconomic, and Occupational Characteristics and Their Employment and Earnings, Center for Labor Market Studies, Northeastern University, 2010.

half times as high as the underutilization rate for the nation's adult workers (20+) over the same time period.

Given substantial variations in teen employment rates across states in recent years, it should come as no surprise to discover that underutilization problems of teens also vary quite widely across states. In the fourth quarter of 2009, there were nine states that had underutilization rates under 30%. At the same time, however, there were nine states that had estimated underutilization rates of 50% or higher including two states (South Carolina and Mississippi) with rates between 56 and 57 percent and the District of Columbia with a teen underutilization rate of just under 70%. The “quiet riots” referred to by then Senator Obama in his 2007 address at Hampton University have been taking place in a number of cities and D.C. in recent months.<sup>13</sup>

Table 5:  
States With Estimated Teen Labor Underutilization Rates Over 50% in 2009 IV

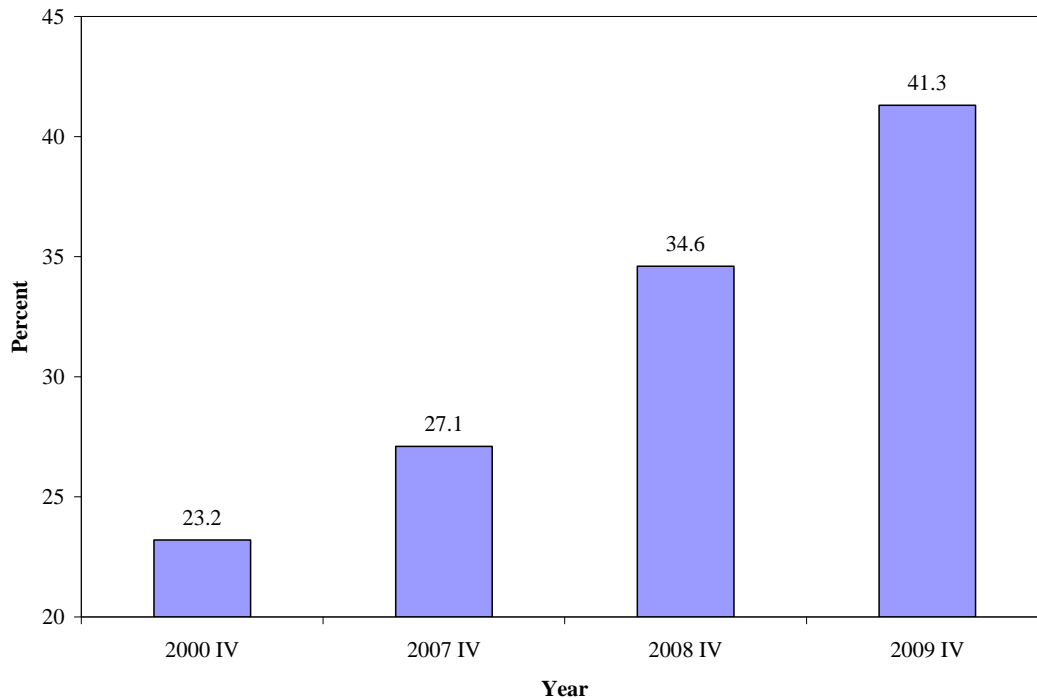
State	Labor Underutilization Rate (in %)
Hawaii	50.7
Oregon	52.4
Washington	52.9
California	53.2
Arizona	54.0
Nevada	54.3
South Carolina	56.0
Mississippi	56.6
District of Columbia	69.6

While teen underutilization rates have always been higher than those of older workers, the incidence of these labor market problems have increased substantially over the decade particularly since the labor market recession of 2008-2009 (Chart 5). In the fourth quarter of 2007, the teen underutilization rate was 23%. It had risen to close to 35% by the fourth quarter of 2008 and above 41% in the final quarter of 2009.

---

<sup>13</sup> See: Senator Barack Obama, “Presentation at Hampton University,” June 2007.

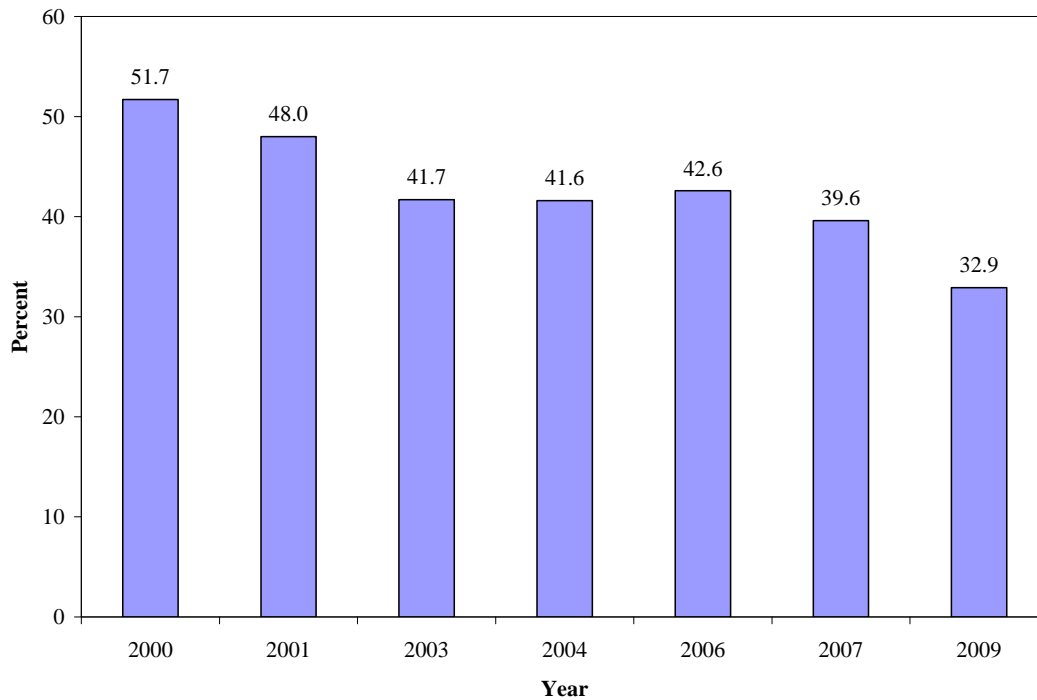
**Chart 5:**  
**Trends in the Labor Underutilization Rates of U.S.**  
**Teens from 2000 IV to 2009 IV, Selected Years (in %)**



### **The Summer Employment Experiences of the Nation's Teens 2000-2009 and the Predicted Job Outlook for the Summer of 2010**

Up to the 1990s, the summer months of June-August had traditionally been a time period in which sizable additional numbers of teens gained employment as they went on summer vacation from high school or college or graduated from high school. The size of the “summer labor market” for teens has been declining in recent decades relative to its values in the 1970s and 1980s, and the teen summer employment rate (June-August) has declined considerably over the past decade (Chart 6). In the summer of 2000, nearly 52 of every 100 teens were employed during an average month (not seasonally adjusted). The E/P ratio declined sharply to 41.7% by the summer of 2003 and increased only modestly by 1 percentage point over the following three years of relatively strong job growth. The summer teen employment rate fell before the national recession took hold, dropping to 39.6% in the summer of 2007 and to a record historical low of 32.9% in the summer of 2009 despite the existence of an ARRA funded summer job stimulus program for 16-24 year olds.

Chart 6:  
Trends in the Summer Employment Rates of U.S. Teens from 2000 to 2009  
(Not Seasonally Adjusted in %)



The loss in summer job opportunities for the nation's teens over the past 9 years has been extraordinarily large (Table 6). The summer 2009 E/P ratio for teens (16-19) was nearly 19 full percentage points below its value in 2000. If the summer 2000 teen employment rate had been maintained in 2009, than the average monthly number of employed teens in the June-August period would have been 8,811,000 rather than the much smaller 5,614,000 who were actually employed. This represents a summer employment gap of nearly 3.2 million teens this past summer.

Table 6:  
Comparisons of the Actual Number of Employed Teens  
(16-19 Years Old) in the Summer of 2009 with the Number that Would  
Have Been Employed if the Summer 2000 E/P Rate for Teens Had Prevailed

Variable	Value
Actual Teen employment in Summer 2009	5,614,000
Hypothetical Summer 2009 Employment Rate	51.7%
Population of Teens in Summer 2009	17,042,600
Hypothetical Summer Employment in 2009	8,811,000
Increase in Summer Teen Employment	3,197,000



Teen summer employment rates in the U.S. clearly have diminished to a considerable degree over the past decade. While teen summer employment rates have declined in all states, there were very large differences in summer teen employment rates across states in the summer of 2009. The ten states with the highest teen employment rates (June-August 2009) had employment rates ranging from 48% in New Hampshire to 62% in South Dakota, with an average of just under 54%. In the ten bottom ranked states, the E/P ratios ranged from 18% in D.C. to just under 30% in South Carolina, with an average of just under 25%. Thus, in the summer of 2009, teens in the highest ten states were more than twice as likely to work as those in the bottom ten ranked states (54% vs. 25%).

Table 7:  
Ten States with the Highest and Lowest Teen Employment Rates in the Summer of 2009

<b>Top Ten</b>		<b>Bottom Ten</b>	
State	E/P	State	E/P
South Dakota	62.5	South Carolina	29.7
North Dakota	59.0	West Virginia	29.6
Nebraska	56.9	New Jersey	27.4
Iowa	56.3	New York	27.1
Wyoming	54.9	Mississippi	25.1
Maine	51.9	Louisiana	24.2
Wisconsin	51.3	California	23.2
Minnesota	49.8	Nevada	22.7
Kansas	48.6	Georgia	22.3
New Hampshire	48.1	District of Columbia	18.8
Average	53.9	Average	24.9

How are the nation's teens likely to fare this summer in the job market? Given the very steep drops in their employment rates over the decade and the extreme weakness of the teen employment situation during the first three months of this year, the summer job outlook does not appear to be very bright in the absence of a massive new summer jobs intervention.

Several years ago, the Center for Labor Market Studies developed a simple regression model based on national time series employment data back to 1969 for projecting the summer employment rate for the nation's teens. The summer projected employment rate was based on

their observed employment behavior during the first four months of each calendar year.<sup>14</sup> For the years from 2004 to 2006, the predicted summer employment rates for teens were very close to their actual rates with no gap whatsoever between the actual and predicted rates of teen employment in the summer of 2005 and only a .6 percentage point gap for 2006. In the three most recent summers (2007 to 2009), the model generated predictions that were somewhat too optimistic, yielding projections of teen summer employment rates that exceeded the estimated actual rates of summer teen employment by 1.7 to 3.6 percentage points. The continued deteriorations in overall employment in the late spring of 2008 and 2009 was a likely key factor underlying our too optimistic employment projections for those two years. The 2009 projection was too high despite the existence of a small scale job creation program for 14-24 year olds that supposedly put 320,000 youth to work at some point during the summer

Table 8:  
Comparisons of the Predicted and Actual Teen Summer Employment Rates from  
2005 to 2009 and the Predicted Teen Summer Employment Rate for 2010  
(June-August Averages, in %, Seasonally Adjusted)

	(A)	(B)	(C)
Summer of Year	Predicted Rate	Actual Rate	Gap (Actual – Predicted)
2005	36.7%	36.7%	0
2006	37.6%	37.0%	-.6 percentage points
2007	36.5%	34.5%	-2.0 percentage points
2008	34.2%	32.5%	-1.7 percentage points
2009	31.1%	28.5	-2.6 percentage points
2010	27.4%		

Note: The fitted regression model for predicting the seasonally adjusted teen summer employment rate was the following:

$$EMP_{i,t} = 43.8 + .93 (EMP_{j,t} - 43.8)$$

Where  $EMP_{i,t}$  = Predicted seasonally adjusted summer teen employment rate in year t.

$EMP_{j,t}$  = Estimated teen employment rate in the first four months of year t.

<sup>14</sup> For a review of the features of this summer teen employment rate forecasting model and the findings of its forecasts in recent years,

See: Andrew Sum, Ishwar Khatriwada, and Joseph McLaughlin, The Collapse in the Nation's Teen Labor Market and the Case for A National Youth Jobs Creation Program, Prepared for the U.S. Congress, House of Representatives, Committee on Education and Labor, Washington, D.C., April 2008.

During the first three months of this year (2010), teen employment rates fell substantially below (nearly 4 percentage points lower) those of the preceding calendar year (Table 9). This finding by itself would be expected to yield a new, historically low employment rate for the nation's teens this summer (2010). Our forecasting model yields a projected seasonally adjusted employment rate of only 27.4% for teen employment this summer (Table 8). This projected rate of teen employment would represent a new post-World War II low, 17.6 percentage points below its rate in the summer of 2000 and nearly 21 percentage points below its cyclical peak in the summer of 1989. The teen summer job outlook for 2010 is thus extremely pessimistic. Funding of a new larger, national teen jobs creation program for the summer of 2010 could offset a small portion of this deep jobs deficit.

Table 9:  
Comparisons of the Teen Employment Rate from January – March 2009 to  
January – March 2010  
( Seasonally Adjusted in %)

	(A)	(B)	(C)
Month	2009	2010	Percentage Point Difference
January	30.4	25.9	-4.5
February	30.3	26.3	-4.0
March	29.7	26.5	-3.2
3 Month Average	30.1	26.2	-3.9

### **The Job Creation Impacts of a Modest Summer Jobs Program for the Nation's Teens**

The deep deterioration in youth labor market conditions over the past nine years has led to a variety of proposals to create both summer and year-round job opportunities for teens. No actions were taken by the federal government to do so until 2009 when the U.S. Congress allocated \$1.2 billion of American Recovery and Reinvestment Act monies to the Workforce Investment Act system to put low income 14-24 year olds to work in the summer of 2009 and in the following year.<sup>15</sup> Approximately 313,000 teens and young adults from ages 14-24 were put

---

<sup>15</sup> For a review of the likely job creation impacts of last summer's teen job creation program under the ARRA legislation,

to work for a part of last summer. The U.S. Congress has been debating a number of proposals to provide monies for a summer jobs program, with a recent U.S. House proposal that would provide up to \$600 million to create jobs this summer.<sup>16</sup> In this section, we will provide a simulation of the number of summer jobs for teens and young adults that could be created with a \$600 million allocation.

Our estimation procedure starts with the assumption that the U.S. Congress will ultimately authorize sufficient monies to create 320,000 summer jobs for 14-24 year old WIA eligible youth.

Table 10:  
Estimating the Potential Impacts a New WIA Youth Jobs Creation Program that  
Created 320,000 Summer Jobs for 14-24 Year Olds During the Summer of 2010

Variable	Assumed Value
Total gross youth jobs created (all ages)	320,000
* % of summer jobs that go to 16-19 year olds	.70
* net teen jobs created per summer teen job slot	.90
* Average number of paid weeks during the summer	6.5 weeks
Net summer jobs created for 16-19 year olds by WIA programs	201,600
Impact on the summer teen employment over the June-August 2010 period	201,600 * 5 = 100,800
Impact on teen employment rate in summer	<u>100,800</u> 17,000,000 = .6%
Impact on teen employment rate during all of 2010	= .6% * 1/4 = .15% = ~.1 percentage point

Not all of these potential 320,000 summer jobs will be provided to 16-19 year olds. Very young teens (14-15) and young adults (20-24) are eligible for participation in WIA job creation programs. We have assumed, perhaps optimistically, that 70% of the participants in WIA

---

See: Andrew Sum and Joseph McLaughlin with Ishwar Khatiwada and Sheila Palma, The Depression in the Nation's Teen Labor Market...

<sup>16</sup> In her March 3, 2010 presentation on the Youth Summer Jobs Amendment, Senator Murray (Dem: Washington) proposed a \$1.5 billion summer jobs program that she claimed would help 500,000 youth to work this summer.

summer jobs programs will be 16-19 years old.<sup>17</sup> The labor force behavior of youth ages 14-15 is not collected as part of the monthly CPS household survey; thus, their involvement in the summer jobs program will not have any positive effect on measured national employment. Not all of the jobs created for youth under the summer jobs program will represent a net gain in employment of teens. Some of the youth obtaining a WIA-funded summer job would have been able to find unsubsidized employment on their own in the absence of the summer jobs program. As a result, not all of the jobs directly created by the WIA summer jobs program will be net new jobs. Past national research on the net employment impacts of youth job creation programs, including previous summer jobs programs for economically disadvantaged teens, indicates that each 100 jobs created a net impact of between 67 to 75 jobs for all teens.<sup>18</sup> Given the much greater slack in youth labor markets this year in comparison to much of the decade of the late 1970s when these net impact estimates were derived, we have assumed a higher net job creation impact for this year's youth summer jobs programs. A net job creation ratio of 90 per 100 summer jobs was assumed. Finally, the impact of the summer youth jobs program on overall job opportunities for teens during the summer months and the year as a whole will be dependent on the number of weeks that these jobs are held. We estimate that the average summer job will last only 6 to 7 weeks while the "summer" consists of the 13 week period from June 1 to August 31. The overall gross summer jobs impact will, thus, be only one half of the gross jobs impacts.<sup>19</sup>

The net additional number of summer jobs for 16-19 year olds this summer can be computed by multiplying the initial 320,000 jobs figure by  $.90 * .70$ , yielding a net summer jobs figure of 201,600. This number of net new jobs would be available for only one-half of the summer, thereby creating 100,800 summer long jobs.

If we compare these 100,800 net new jobs for the nation's 16-19 year olds to the size of the nation's 17 million teens in the civilian noninstitutional population, then we find that the

---

<sup>17</sup> Data provided by two New England states revealed that up to 35% of the summer program participants were 14-15 or older than 20.

<sup>18</sup> For a review of the net job creation effects of past youth job creation programs and their economic and social benefits,

See: (i) Timothy Bartik, "Why We Need to Subsidize Jobs," Challenge: The Magazine of Economic Affairs, May-June 2002, pp. 100-111; (ii) Andrew Sum, Garth Mangum, and Robert Taggart, "The Case for A Young Adult Jobs Creation Program," Indicators: The Journal of Social Health, Winter 2002-03, pp. 50-84.

<sup>19</sup> The national CPS household survey collects information on the labor force status of respondents during the calendar week containing the 12<sup>th</sup> day of the month. Since the vast majority of summer job holders should be employed during the July and August periods containing the 12<sup>th</sup> day of the month, the relevant adjustment factor could be as high as .65 but the true effect would be closer to .50.

summer jobs program would raise the summer (June-August) 2010 employment rate by about .6%. For the year as a whole, the teen E/P rate would rise by .15% or only .1 to .2 percentage points after rounding. The actual gap in teen employment rates between 2000 and 2010 will likely be in the 21-22 percentage point range. Thus, a summer program creating 320,000 job slots will erase only a small fraction (1 in 200) of the existing jobs deficit.

## **Where Do We Go From Here?**

The achievement of a national goal of restoring aggregate teen employment opportunities back to their 2000 levels will require massive increases in teen jobs from every key job sector: the private for profit sector, the nonprofit sector, and the public sector. Youth also have been confined to a smaller number of industrial sectors and occupational areas. The experience of the past decade has clearly shown that macroeconomic growth by itself cannot be relied upon to markedly improve teen employment prospects. Major new national, state, and local employment initiatives will be needed, including substantially expanded youth internships in the private for profit sector, cooperative education slots in high schools and community colleges, school-to-work transition programs, private sector wage subsidies, and increased publicly funded job creation programs that would go well beyond the proposed \$600 million in ARRA stimulus monies for teen summer jobs. In addition, a far more substantial number of year-round teen jobs will be needed to bolster the future employability and earnings of teens. Summer interventions by themselves have no long run impact on future employability. They must be integrated with year round employment efforts. The dramatic, historic collapse in teen labor markets needs to be openly and systematically addressed by the U.S. Congress, the Obama Administration, the nation's governors, its local elected officials, WIA workforce development agencies, and educational agencies across the entire nation. The economic future of these young adults and our nation is at stake.