

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

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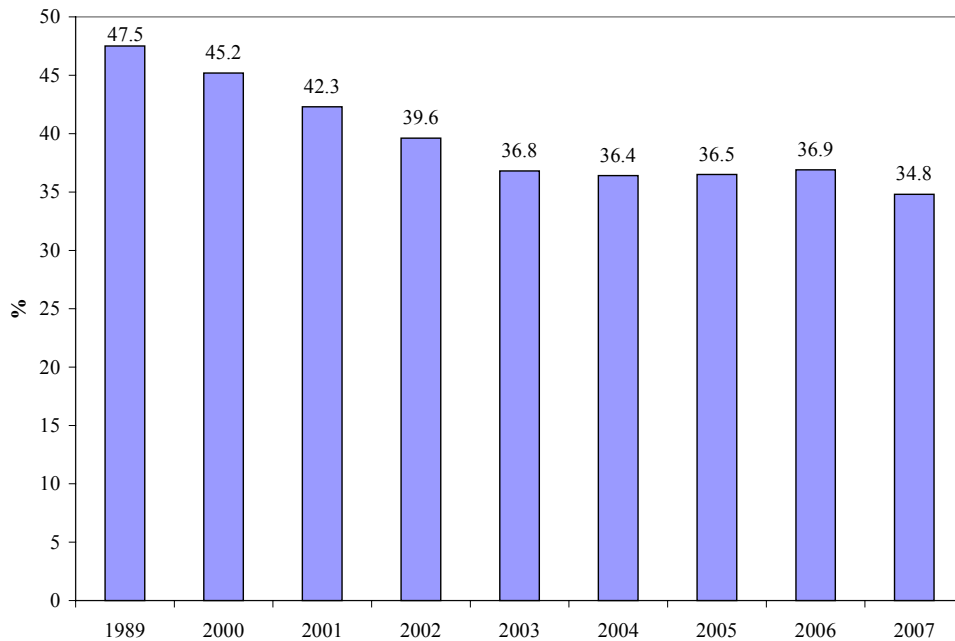
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**February 2008**

Nationally, aggregate labor market conditions in the U.S. have weakened over the past six months. Nonfarm payroll employment growth has slowed considerably since the early summer, and the U.S. Bureau of Labor Statistics just released its findings on the employment situation for January 2008.<sup>1</sup> Total nonfarm payroll jobs (seasonally adjusted) in January were down by 17,000 from the previous month, and the nation's unemployment rate in December 2007 and January 2008 averaged 5.0%. A weakened labor market is not news to America's teens. The nation's teens (16-19) have experienced declining employment rates since the late fall of 2006. Their annual average employment rate (E/P ratio) declined in 2007 to a new record low for the post-World War II period, and they have failed to capture any substantive share of net new job growth across the nation since 2003.<sup>2</sup> The teen employment rate last year was only 34.8%, the lowest annual average employment rate for teens ever recorded since the end of World War II (Chart 1).<sup>3</sup> Deteriorating teen employment rates during a growing national labor market is unprecedented.

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



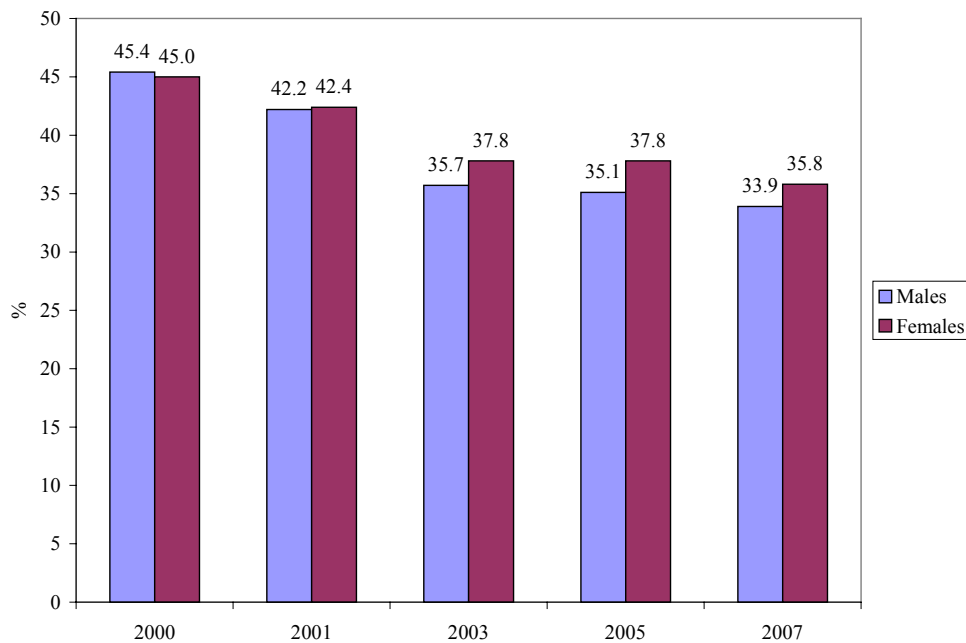
<sup>1</sup> See: U.S. Bureau of Labor Statistics, The Employment Situation: January 2008, Friday, February 1, 2008, release.

<sup>2</sup> The CPS employment series for the nation's teens begins in 1948.

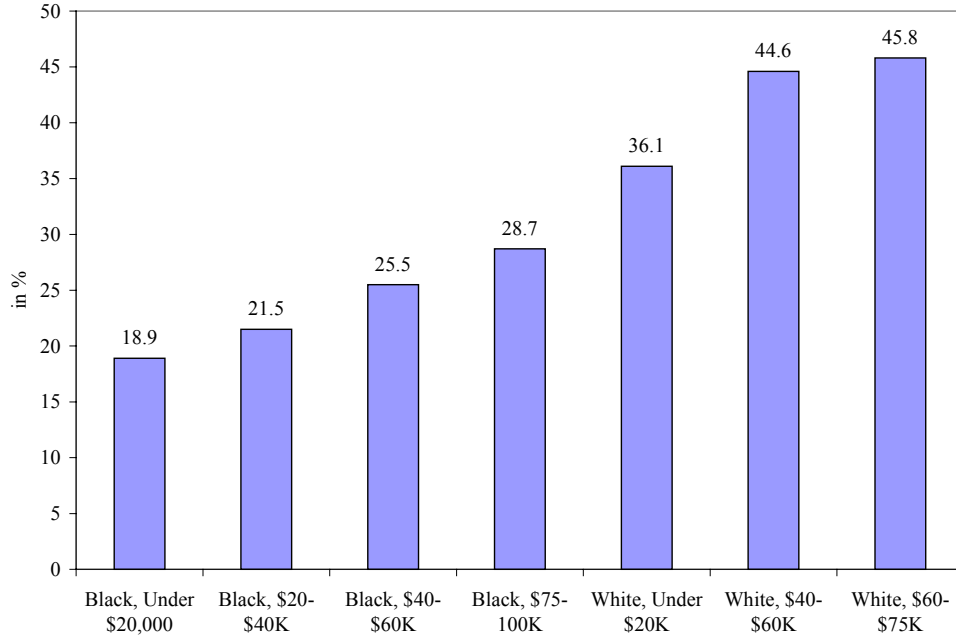
<sup>3</sup> The employment/population ratio often referred to by labor economists as the E/P ratio measures the percent of teens in the civilian, non-institutional population that were employed in an average month during the year.

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

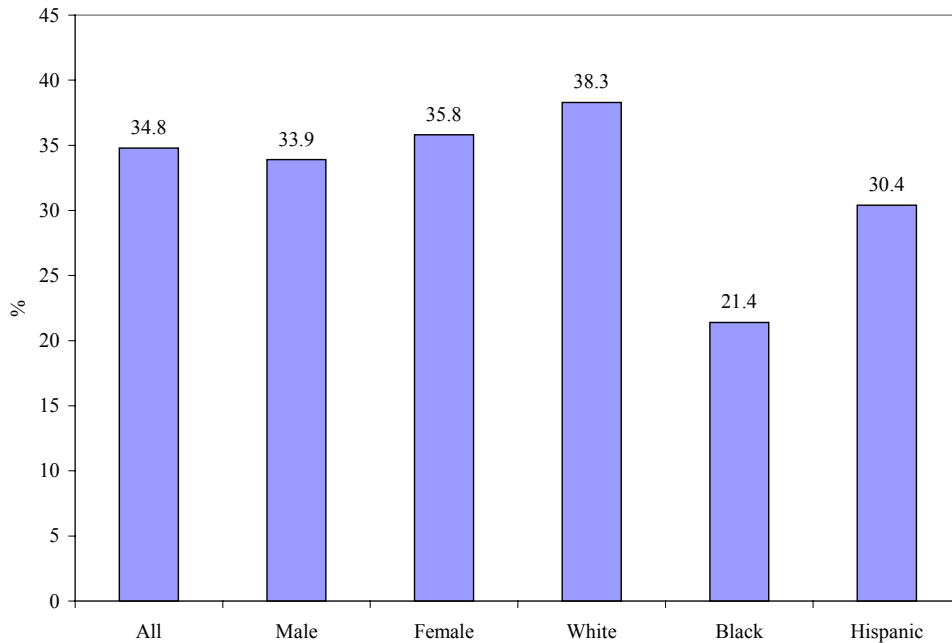
Chart 2:  
Trends in the Employment/Population Ratios of Male and  
Female Teens, Selected Years 2000-2007 (Annual Averages, in %)



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



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



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

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

The annual average number of unemployed teens in 2007 was slightly over 1.10 million, yielding an unemployment rate of 15.7%, which was more than four times highest than the 3.7% unemployment rate faced by the nation's adults 25 and older during that year (Table 1). This official estimate of teen unemployment from the monthly Current Population Survey is largely based on proxy respondents for teens primarily their mothers. Household surveys in recent years

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

with youth themselves in high poverty neighborhoods reveal that direct interviews yield higher unemployment rates than interviews with the parents or other relatives of the teens.

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

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

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

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

A third underutilized group of teens consists of those who are employed but are working part-time even though they desire full-time work (35 or more hours). During 2007, there were 330,000 such underemployed teens on an average month. Special labor force surveys conducted by the U.S. Bureau of Labor Statistics in May 2001 (and earlier in 1985) reveal that the number of employed teens who wished to work more hours at the current wage exceeded those who wished to fewer hours by a ratio of 18 to 1 among men and more than 10 to 1 among women. No other age group (except 20-24 year olds) comes close to experiencing such a major underemployment rate.<sup>5</sup> Unfortunately, more recent data on the desired work hours of employed

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<sup>5</sup> The May 2001 survey did not, however, collect data on the actual size of the desired work hours among the employed. For a review of national evidence on desired versus actual hours of work among employed teens and other workers,

teens are not available. The combined number of teens who were unemployed, members of the labor force reserve, or underemployed during an average month in 2007 was conservatively equal to approximately 2.4 million, equivalent to 14 percent of the teen population. These underutilization rates among teens are considerably higher than they are among other age groups, and, among these teens, males, Blacks, and less educated youth face higher underutilization rates than each of their respective counterparts.

As noted earlier, the annual average teen employment rate in 2007 was the lowest ever recorded over the 60 year period for which CPS employment data are available. We have conducted two simulations generating estimates of the number of teens that would have been employed in 2007 if they had matched their employment rates in 2000 and 1989, two earlier cyclical peaks. If teens had matched their 2000 employment rate of 45.2%, they would have been 7.679 million teens at work last year, an increase of 1.767 million or 30 percent (Table 2). If the nation’s teens had matched their 1989 employment rate, there would have been 8.070 million teens at work on an average month during the past year, an increase of nearly 2.16 million or 37 percent. Clearly, a substantial additional number of teens would have held a job last year if they had been able to obtain jobs at the rates they did in the previous two cyclical peak years.<sup>6</sup>

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

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

Why should we care? Few policymakers and media analysts, with the exception of Bob Herbert of the *New York Times* and a few other newspaper writers, have experienced concern

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See: (i) Lonnie Golden and Tesfayi Gebraslassi, “Overemployment Mismatches: The Preference for Fewer Work Hours,” *Monthly Labor Review*, April 2007, pp. 18-37; (ii) Susan Shank, “Preferred Hours of Work and Corresponding Earnings,” *Monthly Labor Review*, November 1986, pp. 40-44.

<sup>6</sup> The year 1989 was a cyclical peak year. The U.S. economy entered a recession in June 1990 that lasted until March of 1991.

over the high levels of teen joblessness. Some analysts of teen labor market developments have casually dismissed the steep decline in teen employment rates by noting that school attendance among teens has increased over the past seven years. Increased school attendance will typically reduce teen employment, but can promote their long-run employability if it leads to improved skills and educational attainment. More teens are attending high school and college today, but employment rates have fallen sharply among high school students and out-of-school youth, including both high school graduates and dropouts. Low income and minority dropouts face very bleak employment prospects.

The rise in school attendance can account for only a very small share of the drop in the teen E/P ratio in recent years. In fact, the rise in school attendance is partly if not primarily attributable to the depressed labor market conditions for teens which have reduced the opportunity costs of attending school. There are many employment related skills, including the soft skills of attendance, punctuality, team work, and customer service, that are highly valued by employers but can only be learned on the job. The nation's employers have expressed a high degree of dissatisfaction with the employability skills of new high school graduates.<sup>7</sup> Youth who participate in work-based learning activities during high school are more likely to see the relevance of school work to career success and acquire stronger employability skills. There is a very strong path dependence in teen employment, i.e., the more teens work this year, the more likely they are to work the next year. Work in high school also favorably increases the ability of youth to move smoothly to the labor market after graduation, especially among those graduates not enrolling full-time in four year colleges immediately after graduation.<sup>8</sup> Findings from follow-up surveys of Boston public school graduates show that those college students who worked more during the senior year were more likely to work in college. Among economically disadvantaged youth, including Black and Hispanic males, national research suggests that some work in high school can help promote school persistence and graduation.<sup>9</sup>

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<sup>7</sup>See: The Conference Board of New York and Partnership for 21<sup>st</sup> Century Skills and The Society for Human Resource Management, Are They Really Ready to Work, New York, 2006.

<sup>8</sup>See: Andrew Sum, Robert Taggart, and Ishwar Khatiwada, The Path Dependence of Teen Employment in the U.S.: Implications for Youth Workforce Development Policy, Center for Labor Market Studies, Northeastern University, Boston 2007.

<sup>9</sup>For a review of the evidence on this topic,

See: Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Prospects of At-Risk Youth, Sar Levitan Center for Social Policy Studies, Baltimore, 2000.



Why does the summer 2008 job outlook for teens look particularly bleak? The national teen labor market was quite weak in the late fall of 2007 and the early winter of 2008. Between September and November of 2007, the seasonally adjusted teen E/P ratio averaged only 34.5% and fell steadily from October to January 2008 when the teen E/P ratio dropped to 33.6%. The January 2008 E/P ratio for teens was 2.6 percentage points below its rate in the same month a year earlier. Research work by the Center for Labor Market Studies has shown that the teen employment situation in the first four months of the calendar year (January – April) is a very good predictor of the teen summer employment rate. These findings suggest that the nation's teen employment rate this summer will be headed for a new historical low in the absence of any comprehensive job creation strategies for youth.

What can be done? There are a variety of national, state, and local strategies that can be adopted to promote teen employment opportunities during the school year and summer. First, all state and local WIA Workforce Investment Boards should be immediately called upon by the U.S. Department of Labor to develop comprehensive strategies for placing more teens in jobs during both the summer and school year. Job placement targets for teens should be established with bonuses from the U.S. Department of Labor for every additional job placement over and above last year's performance. Second, the nation's employers should be given additional tax incentives to hire teenagers for jobs, especially economically disadvantaged youth and those teens living in high poverty areas. The existing Work Opportunity Tax Credit for youth should also be more aggressively marketed by one stop career centers and youth development agencies. President Bush and the U.S. Congress should make concerted national appeals to the business community to hire more teens. Third, as part of the fiscal stimulus packages being developed by the U.S. Congress in cooperation with the Bush Administration, the federal government should immediately reinstitute the Summer Youth Employment Program, creating at least 1 million summer jobs for 16-21 year olds with state allocations based on their share of jobless teens and the past year's local and state financial contributions to summer job programs. A year-round job creation program for teens should follow, with funding levels tied to the overall level of teen joblessness in each state. The time for action is now.