

The Historically Low Summer and Year Round 2008
Teen Employment Rate: The Case for An Immediate
National Public Policy Response to Create Jobs for
the Nation's Youth

Prepared by:

Andrew Sum

Ishwar Khatiwada

Joseph McLaughlin

With

Sheila Palma

Center for Labor Market Studies
Northeastern University
Boston, Massachusetts

September 15, 2008

Table of Contents

Introduction.....	1
The Summer 2008 Teen Job Market in the U.S.: A Record Low Employment Rate.....	2
Summer Teen Employment Across Gender, Race-Ethnic, and Household Income Groups.....	5
Summer Employment Rates of Teens by Their Household Incomes	7
Labor Force Underutilization Problems Among Teens During the Summer of 2008.....	10
Estimating the Number of Teens that Would Have Been Employed in the Summer of 2008 If They Had Been Able to Match the Summer Jobholding Rates of Their Peers in 1989 and 2000.....	18
Where Do We Go From Here?	22

Introduction

National labor market conditions have weakened considerably since the early winter of 2008. Since December 2007, nonfarm payroll employment (seasonally adjusted) has declined for eight consecutive months, falling by 605,000 over this eight month period. All of the net decline in wage and salary employment has taken place in the private sector where jobs have declined steadily since November 2007, falling by 772,000 over this nine month period. In response to these job declines, overall unemployment has risen, and the national unemployment rate (seasonally adjusted) jumped sharply to 6.1% in August.¹

The weakening job market has continued to take a severe toll on employment opportunities of teens and young adults across the country. Earlier this spring, the Center for Labor Market Studies testified before the U.S. Congress that the summer job market for teens would be extremely weak and forecast a seasonally adjusted teen summer employment rate of only 34.2%, which would have marked a 60 year historical low teen employment rate.² With the recent release of the August 2008 employment data for teens by the U.S. Bureau of Labor Statistics, we can now examine how the nation's teens fared in the labor market this past summer, how successful teens in various gender, race-ethnic, and household income groups were in obtaining some type of employment, how steep the declines in teen summer employment rates have been since the end of the national labor market boom in 2000, and how severe the labor underutilization rates of teens have been.³ The case for an immediate national public policy response to boost teen employment prospects over the next year will be made in the concluding section of the paper.

¹ See: U.S. Bureau of Labor Statistics, The Employment Situation: August 2008, Washington, D.C., September 5, 2008.

² For a review of the CLMS projections of the summer 2008 teen labor market, See: Andrew Sum, Ishwar Khatriwada, et al., The Collapse of the National Teen Job Market and the Case for An Immediate Summer and Year Round Youth Jobs Creation Program, Report Prepared for the U.S. House of Representatives, Committee on Labor, Health, Human Services, and Education, Washington, D.C., March 2008.

³ We will provide estimates of the number of teens who were either unemployed, underemployed, or members of the labor force reserve in June-July 2008. The teen underutilization rate is close to 4 times as high as that of adults 20 and older.

The Summer 2008 Teen Job Market in the U.S.: A Record Low Employment Rate

The job market for the nation's teens had been in a state of near free fall through the end of 2007. Teen employment rates peaked in calendar year 2000 and declined steadily and steeply over the following four years. After modest gains in 2006 through the early fall of that year, teen employment rates again declined despite continuing growth in the number of payroll jobs. Given the continued weakness in the teen labor market during the first quarter of this year, the Center for Labor Market Studies projected in the early spring that the summer teen employment rate (seasonally adjusted) would only be equal to 34.2%, marking it the lowest summer employment rate over the past 60 years (1948-2008).

Estimates of the actual national teen employment rates for 16-19 year olds during the months of June, July, and August of 2008 are displayed in Table 1. Teen employment rates ranged from a low of 32.5% in July to 33.1% in June, with a three month average of 32.7%, which was 1.5 percentage points below our projected summer employment rate of 34.2% (Table 1). Continued declines in national wage and salary payroll jobs during the summer and the rise in the federal minimum wage to \$6.50 in July contributed to the deterioration in teen labor markets.⁴ The 32.7% teen employment rate this summer represented a new 60 year historical low. The 2008 summer employment rate for teens was 4.3 percentage points below its value in the summer of 2004 and 12.3 percentage points or nearly 30 percent below its value in the summer of 2000. The teen summer employment rate in 1989 near the peak of the 1980s labor market boom was an even higher 48.4% (Chart 1). Thus, this summer's employment rate for teens was nearly one-third below its value in 1989, an unprecedented decline in employment for any demographic group in post-World War II history. As will be revealed in a following section of this paper, 3 to 4 million more teens would have been employed this past summer if their employment rates during the summers of 2000 and 1989 had been maintained. The steep job losses for teens have not been confined to the summer months. Last year, the annual average teen

⁴ National research over the past two decades has repeatedly shown that teens are the demographic group most adversely affected by rising national and state minimum wages. For a recent review of evidence on these issues, See: (i) Manfred Keil, Donald Robertson, and James Symons, Minimum Wages and Employment, Claremont Colleges, Working Paper 2001-08; (ii) Charles Brown, Curtis Gilroy, and Andrew Kohen, Time-Series Evidence of the Effect of the Minimum Wage on Youth Employment and Unemployment, The Journal of Human Resources, Vol. 18, 1, 1983; (iii) Finis Welch, "Wages and Participation," Journal of Labor Economics, 1997; Vol. 15, Number 1.

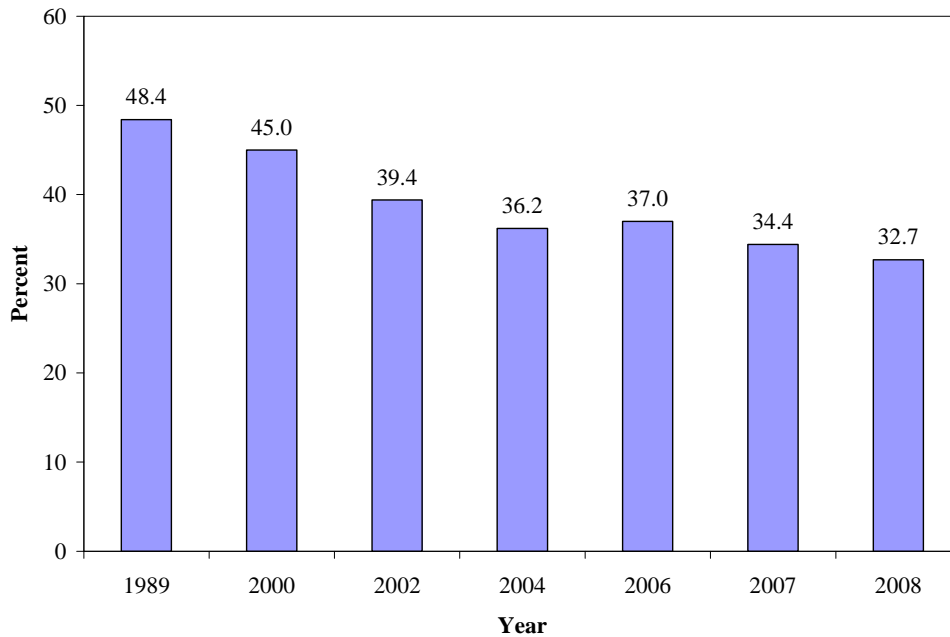
employment rate of 34.8% also represented a 60 year low, and this year will be characterized by an even lower historical figure for teens.

Table 1:
The Summer 2008 Monthly Employment Rates of U.S. Teenagers (16-19) from
June-August and Comparisons with the Projected 2008 Summer Teen Employment Rate
 (Seasonally Adjusted Rates, in %)

Month	Employment Rate
June	33.1
July	32.5
August	32.6
June – August, Average	32.7
Projected Teen Summer Employment Rate	34.2
Actual – Projected Teen Employment Rate	-1.5
	Percentage points

- Sources: (i) U.S. Bureau of Labor Statistics, The Employment Situation: August 2008;
 (ii) Center for Labor Market Studies, Northeastern University, The Continued Collapse of the Nation’s Teen Job Market and the Dismal Outlook for the 2008 Summer labor Market for Teens.

Chart 1:
Trends in the Nation’s Teen Summer Employment Rate, 1989-2008
 (June-August, Seasonally Adjusted)

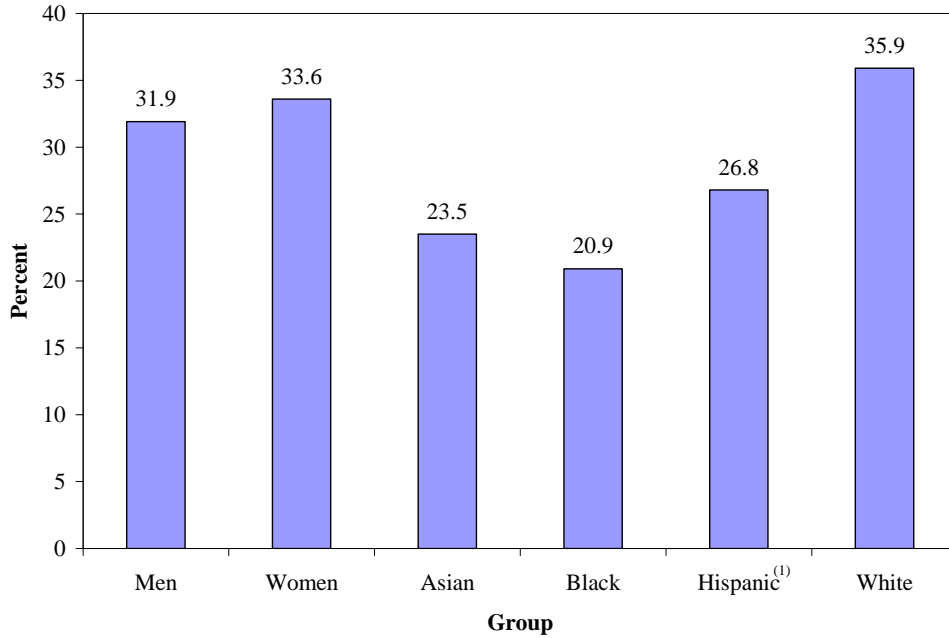


Summer Teen Employment Across Gender, Race-Ethnic, and Household Income Groups

The ability of the nation's teens to obtain some employment in recent summers has varied often times considerably across age, gender, race-ethnic, household income, and geographic groups.⁵ During the summer of 2008, the seasonally adjusted employment rates of teens was somewhat higher among women than among men (33.6% vs. 31.9%) (Chart 2). Since the summer of 2001, women have been more frequently employed than men, a substantial reversal from gender patterns in the 1980s and 1970s. Male teens have experienced dramatic declines in their summer employment rates over the past 29 years, far surpassing those of any other demographic group in American labor markets, with substantial adverse consequences for them and society as a whole. The actual (not seasonally adjusted) employment rate for teen males in the summer of 2008 was 37.2% versus 62.4% in the summer of 1979 and even 60.4% in the summer of 1989. Between 1979 and 2008, the summer employment rate of male teens declined by nearly 25 percentage points or 40%, reflecting the combined effects of the deindustrialization of the American economy, the push out of teens from the manufacturing sector, the shift to a services economy favoring the employment of women, and the increased competition that male teens face from new immigrants, especially undocumented immigrants, and older Americans returning to the work force to supplement their income. Paraphrasing the name of the African-American soul singing group of the 1990s, we have turned “men to boyz” in U.S. labor markets.

⁵ For a recent comprehensive review of findings on this issues of who works during the summer, See: Andrew Sum, Ishwar Khatwiada, Joseph McLaughlin, Robert Taggart, The Demise of the Summer Teen Employment Market and the Case for a Revitalized National Summer Jobs and Education Program for the Nation's Teens, Report Prepared for the U.S. Conference of Mayors, Washington, D.C., October 2007.

Chart 2:
The Summer 2008 Employment Rates of the Nation's Teens (16-19) by
Gender and Major Race-Ethnic Group
(In %, Seasonally Adjusted)



The summer employment rates of all gender and race-ethnic groups of teens have declined considerably over the past eight years (Table 2). There were double-digit declines in the employment rates of both male and female teens between the summer of 2000 and the summer of 2008. The male teen employment rate declined by more than 13 percentage points or nearly 30 percent while that of women fell by 25 percent.

Table 2:
Changes in the Employment/Population Ratios of the Nation's Teens
(16-19) by Gender and Race-Ethnic Group
(in %, seasonally adjusted)

	(A)	(B)	(C)	(D)
Group	Summer 2000	Summer 2008	Absolute Change (in Percentage Points)	Percent Change
Men	45.1	31.9	-13.2	-29%
Women	44.9	33.6	-11.3	25%
Asian ¹	28.4	23.5	-4.9	-17%
Black	28.9	20.9	-8.0	-28%
Hispanic ¹	35.1	26.8	-8.3	-24%
White	49.1	35.9	-13.2	-27%

Source: U.S. Bureau of Labor Statistics, web site, historical CPS data series.

Note: (1) Summer employment rates for Asians and Hispanics were seasonally adjusted by CLMS research staff.

Teens in each of the four race-ethnic groups experienced a sharp drop in their summer employment rates over the past eight years. The size of these declines ranged from just under 5 percentage points for Asians and eight percentage points for Blacks and Hispanics to a high of 13 percentage points for Whites. In relative terms, the summer employment rates of Blacks, Hispanics, and Whites fell by 24 to 28 percent over the past 8 years. By the summer of 2008, only 1 of 5 Black teens and only slightly more than 1 of 4 Hispanics teens were working (seasonally adjusted).⁶ The white teen employment rate fell from nearly 50 percent in the summer of 2000 to slightly under 36 percent in the summer of 2008, a very sizable 14 percentage point decline.

Summer Employment Rates of Teens by Their Household Incomes

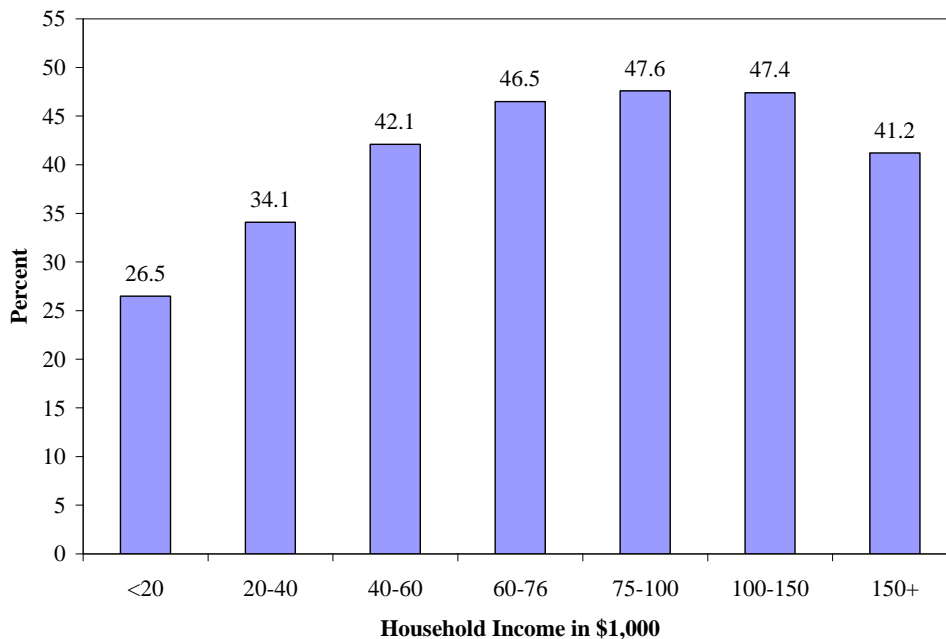
The year-round and summer employment rates of the nation's teens have tended to vary quite widely across household income groups. Youth from low income families are employed at the lowest rate, and employment rates of teens increase fairly steadily with their household incomes until the very top (upper 10 percent) of the income distribution is reached. Earlier CLMS research also has shown that the employment status of teens is strongly influenced by the structure of their families and the work behavior of their mothers and fathers. Those youth who

⁶ The raw, non-seasonally adjusted employment rate for Black teens this summer was only 24%.

reside in married couple families in which both parents work are significantly more likely to be employed than their peers who lived in other types of families, especially those teens who lived in families with no working parent.

Data files from the June and July 2008 CPS surveys were available to the authors. The public use files for these two months were analyzed to identify the employment status of teens in seven selected household income categories, ranging from under \$20,000 to the maximum of \$150,000 or higher.⁷ The employment rates of teens in the summer of 2008 ranged from a low of 26% among those living in families with an income under \$20,000 to 34% for those in households with incomes between 20 and 40 thousand, to highs of 47-48% for those in families with incomes between \$75 and \$150,000. Among those teens in the most affluent households (incomes over \$150,000), the employment rate was modestly lower (41%) but still well above that of the lowest income youth.⁸

Chart 3:
Employment/Population Ratios of U.S. Teens 16-19 by Household Income, June-July 2008
(in %, not seasonally adjusted)



⁷ The household income data are reported on the public use files in categorical form by the U.S. Census Bureau. Household income data were missing for about 18 percent of the teen respondents in June-July.

⁸ Approximately 8% of the nation's teens in the summer of 2008 were residing in households with incomes over \$150,000.

Since the summer of 2000, teens in every income group experienced sharp declines in their employment rates. In the June-July period of 2000, teen employment rates varied from a low of 41% for teens in low income families to a high of 63% for those in families with incomes between 60 and 75 thousand dollars. Teens in each of these five income groups saw their employment rates decline by double digits between the summer of 2000 and 2008. The relative sizes of these employment declines ranged from 26% to 35%, with low income youth bearing the largest relative decline in their employment rate. Low income youth tend to receive a number of labor market and educational advantages from working in high school, including higher employment rates and wages in their later teen years as well as a lower probability of dropping out of high school.⁹ Summer employment for these economically disadvantaged youth also could be combined with academic learning and remediation on-the-job or in offsite classrooms to boost their academic achievement and strengthen their abilities to complete high school and prepare for college. Typically, disadvantaged youth tend to fall further behind their more advantaged peers academically during the summer months. The demise of the federally-funded Summer Youth Employment at the end of the 1990s has taken a severe toll on summer job prospects for the nation's economically disadvantaged youth. They are the most likely to be either unemployed, underemployed, or a member of the hidden unemployed of all income groups in U.S. labor markets. Estimates of the incidence of labor underutilization problems of teens in the June-July period of 2008 are presented below.

⁹ See: Marta Tienda and Ayner Ahituv, "Ethnic Differences in School Departure", *Of Heart and Mind*, (Editors: Garth Mangum and Stephen Mangum), W.E. Upjohn Institute for Employment Research, Kalamazoo, 1996, pp. 93-110.

Table 3:
Trends in the June-July E/P Ratios of U.S. Teens in Selected
Household Income Groups, 2000 to 2008
(in %, not seasonally adjusted)

	(A)	(B)	(C)	(D)
Household Income ¹	June-July 2000	June-July 2008	Absolute Difference (in Percentage Points)	Percent Difference
<20,000	40.8	26.5	-14.3	-35%
20-40,000	47.7	34.1	-13.6	-29%
40-60,000	59.1	42.1	-17.0	-29%
60-75,000	63.2	46.5	-16.7	-26%
75,000+	61.6	45.8	-15.8	-26%

¹ Due to the coding practices of the U.S. Census Bureau, we cannot convert the 2000 household incomes into 2008 dollars. The income data for both years are in current dollars.

Labor Force Underutilization Problems Among Teens During the Summer of 2008

The extraordinarily low employment rates of the nation's teens over the past two summers have been historically unique, and these growing joblessness problems have affected teens in all major demographic and socioeconomic subgroups and nearly all geographic areas across the nation. One of the most surprising findings from our analysis of the youth labor market in recent years is the absence of any substantive improvements in the summer teen employment rate over the 2004-2007 time period despite relatively strong national wage and salary job growth, which in the past would have substantially boosted the demand for teen workers. The steady decline in payroll jobs beginning in January of this year and continuing through August was a key factor in further reducing teen employment prospects this summer. 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 have reduced teen employment prospects to a considerable degree. A growing number of firms, including big box retailers, have set personnel policies of not hiring any youth under 18. 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.¹⁰ To help 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 months of June and July 2008 to estimate the number of teens who were classified as unemployed, underemployed, or members of the so-called “labor force reserve”.¹¹ The combined number of teens experiencing these three labor market problems will be called the “underutilized labor pool”.¹²

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 of the survey.¹³ 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.¹⁴ 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 an average of 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 Tables 4 and 5. The estimates are monthly averages for the June-July 2008 period and are not seasonally adjusted.

The average monthly number of unemployed teens over the June-July period of 2008 was 1.767 million, yielding a teen unemployment rate of 20.9%, which was nearly four times as high

¹⁰ 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.

¹¹ For a review of findings on the labor underutilization problems of the nation's teens during the summer of 2007, See: Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, et. al., *The Demise of the Summer Teen Employment Market and the Case for a Revitalized National Summer Jobs and Education Program for the Nation's Teens*, Center for Labor Market Studies, Northeastern University, September 2007.

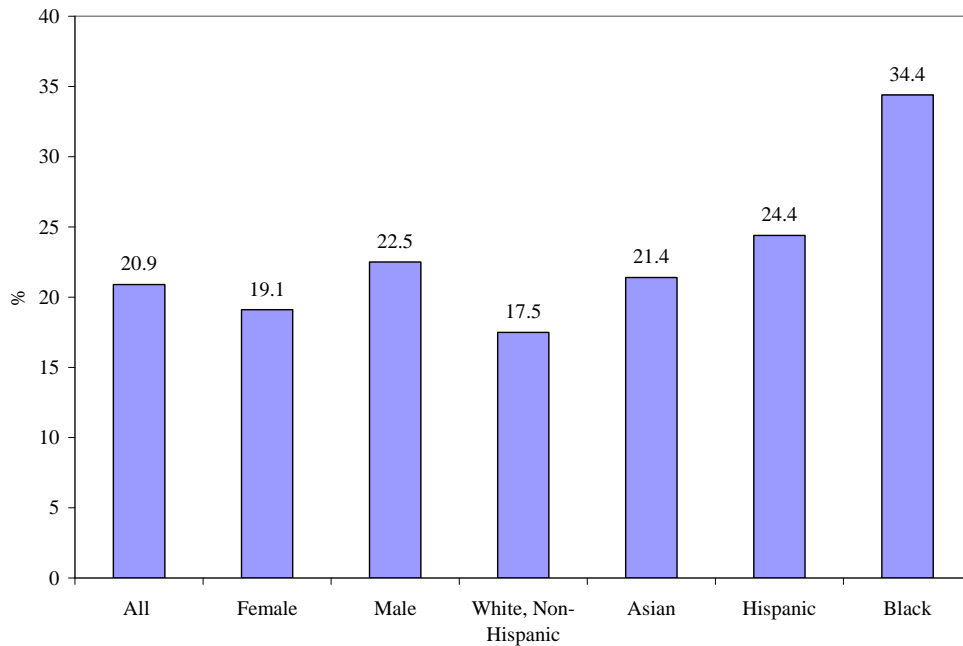
¹² For a review of alternative measures of labor underutilization, see: (i) U.S. Bureau of Labor Statistics, *The Unemployment Rate and Beyond: Alternative Measures of Labor Underutilization*, Issues in Labor Statistics, June 2008. For a detailed analysis of unemployment and underutilization problems of all U.S. workers 16 years of age and older and major race-ethnic and educational attainment subgroups of workers, see: (ii) Andrew Sum, Ishwar Khatiwada, et. al., Beyond Official Unemployment: Measuring the Size and Incidence of Labor Underutilization Problems Among U.S. workers in 2008, Center for Labor Market Studies, Northeastern University, Prepared for the U.S. House of Representatives' Committee on Education and Labor, August 2008.

¹³ The CPS survey is undertaken during the calendar week containing the 19th day of the month while the reference week is the calendar week prior to the survey, i.e., the week containing the 12th day of the month.

¹⁴ This group should not be confused with the BLS definition of a marginally attached worker or a discouraged worker. The discouraged are a small subset of the teen 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.

as the unemployment rate for the nation's adults (20+) over the same two month period. Over the 2-month summer period of June-July 2008, male teens faced a higher unemployment rate than female teens (22.5% vs. 19.1%). Unemployment rates of teens varied more considerably across the four race-ethnic groups, ranging from a low of 18% for White, non-Hispanics to a high of 34% for Black teens (See Chart 4). In the summer of 2000 (June-August), the unemployment rate of the nation's teens was only 13.5% versus the 20.1% rate of unemployment during the past summer. Clearly, these youth have found it considerably more difficult to find work, and this factor has also reduced the willingness of other teens to actively seek work, thereby holding down the growth of the teen labor force.

Chart 4:
June-July 2008 Unemployment Rates of the Nation's Teens by Gender and Race-Ethnic Group
(in %, Not Seasonally Adjusted)



The labor market underutilization problems of the nation's teens go far beyond the official unemployment statistics. The labor force participation behavior of teens has traditionally been very sensitive to overall labor market conditions, declining during periods of job loss and rising unemployment and increasing during periods of strong and sustained job growth. If teens perceive that jobs are not available to them, they will not actively look for work and no longer be

counted as unemployed in the CPS survey.¹⁵ Yet, many of these teens would be willing to accept jobs if they were offered to them. The large number of teen applicants for summer 2008 job programs in large cities provides direct evidence of the desire of many teens to be employed. On average, during the summer of 2008, there were nearly 1.050 million teens who were members of the labor force reserve (Table 4). The estimated official size of the teen labor force reserve, a conservative estimate, was quite substantial, representing 12 of every 100 teens not active in the labor force during the June-July period.¹⁶ This teen labor force reserve included 597,000 men and over 453,000 women. White, non-Hispanic teens accounted for about 50 percent of the labor force reserve, and there were 201,000 Hispanic teens and 206,000 Black teens in the labor force reserve during the past summer (Table 5). Nearly 14 of every 100 Black teens and 13 of every 100 Hispanic teens not actively participating in the civilian labor force expressed a desire for immediate employment. These estimates are likely to be quite conservative. Past evaluations of youth employment programs creating jobs for low income youth in central cities and rural areas and more recent findings on summer job programs in Boston and New York City have revealed that many teens, especially low income minority youth, will enroll in such employment programs when jobs are made available to them.¹⁷ During the past few summers, however, with modest exceptions, few subsidized jobs were made available by national, state, or local governments. The large scale federally-funded Summer Youth Employment Program was eliminated by the U.S. Congress and the Clinton Administration in the late 1990s.

¹⁵ 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 search, such as reading newspaper want ads or surfing Internet job sites, do not get counted as unemployed unless they also simultaneously engaged in active job search. 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 in central cities across the nation by Westat as part of an evaluation of the Youth Opportunity Grants Program has shown that low income parents tend to understate unemployment problems 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.

¹⁶ There were approximately 8.65 million teens who were not active in the civilian labor force during the summer of 2008.

¹⁷ See: Robert Lerman and Andrew Hahn, *What Works in Youth Employment Policy?*, National Planning Association, Washington, D.C., 1982.

Table 4:
Labor Market Underutilization Problems of U.S. Teens 16-19,
All and by Gender: June – July 2008 Averages
 (Numbers in 1000s)

	(A)	(B)	(C)
Labor Force Group/ Underutilization Problem	All	Men	Women
Civilian Labor Force	8,452	4,412	4,041
Unemployed	1,767	994	773
Labor Force Reserve	1,050	597	453
Underemployed	646	378	268
Sum of Above Three Problems	3,462	1,969	1,494
Adjusted Civilian Labor Force	9,502	5,009	4,493
Underutilization Rate (in %)	36.4	39.3	33.2

Source: June – July 2008 monthly CPS household surveys, public use files, tabulations by authors.

Table 5:
Labor Market Underutilization Problems of U.S.
Teens 16-19 by Race-Ethnic Group: June – July 2008 Averages
 (Numbers in 1000s)

	(A)	(B)	(C)	(D)
Labor Force Group/ Underutilization Problem	Asian	Black	Hispanic	White, Non-Hispanic
Civilian Labor Force	198	970	1,291	5,744
Unemployed	42	334	315	1,007
Labor Force Reserve	37	206	201	552
Underemployed	5	86	118	414
Sum of Above Three Problems	84	625	634	1,973
Adjusted Civilian Labor Force	235	1,176	1,492	6,296
Underutilization Rate (in %)	35.9	53.1	42.5	31.3

Source: June – July 2008 monthly CPS household surveys, public use files, tabulations by authors.

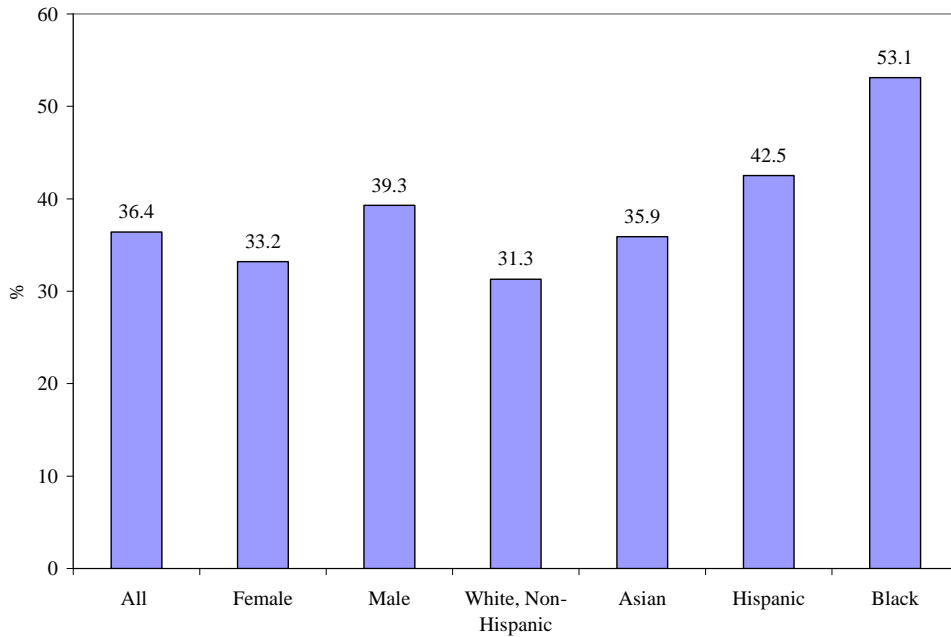
The monthly CPS household survey also captures information on the reasons why employed teens and adults work part-time (under 35 hours per week). This information can be used to identify underemployed individuals, i.e., those workers who were employed part-time for economic reasons, such as slack work 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 only half of the average hours worked by the full-time employed. In the summer of 2008, we estimate that there were 646,000 underemployed teenagers in the U.S., representing nearly 10 percent of all of the employed 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. These are three mutually exclusive groups. On average, there were 3.462 million teens who were unutilized or underutilized during the summer of 2008 (Table 4). This substantial pool of unutilized and underutilized teens was equivalent to 36 percent of the adjusted teen civilian labor force during the summer of 2007 (Table 4 and Chart 5).¹⁸ Males accounted for a majority (57%) of the unutilized pool of teen labor, but there were 1.49 million female teens who were unemployed, underemployed, or members of the labor force reserve. The incidence of labor underutilization problems during the summer of 2008 was 39% for men and 33% for women. The differences in these underutilization rates across major race-ethnic groups were considerably larger. These underutilization rates of teens ranged from a low of 31% for White, non-Hispanic teens to 43% for Hispanics and to a high of 53% for Black teens. Thus, 43 of every 100 Hispanic teens and 53 of every 100 Black teens in the adjusted civilian labor force during the summer of 2007 were left either jobless or underemployed, an extraordinarily high rate of underutilization of Hispanic and Black teens.

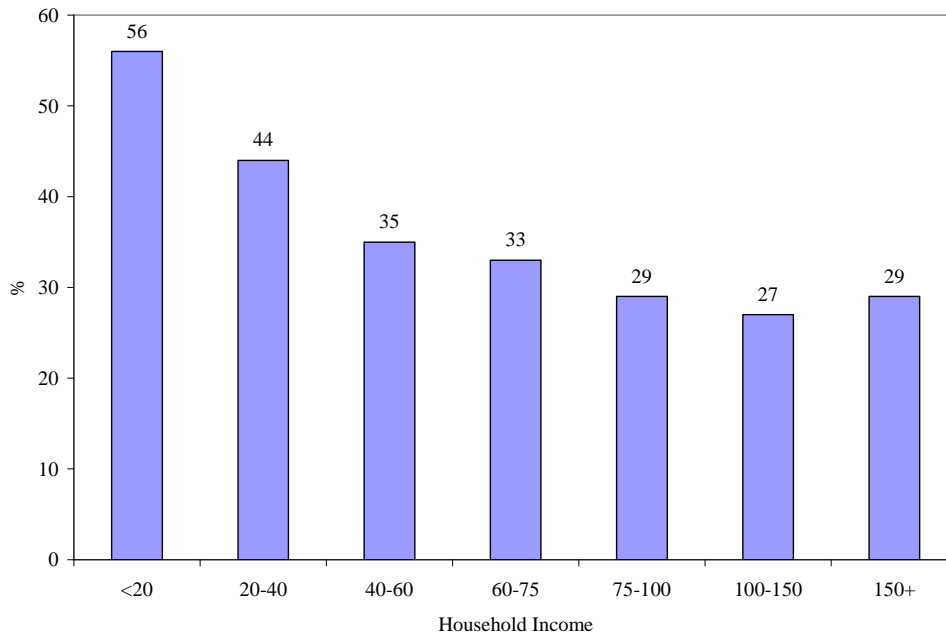
¹⁸ The adjusted civilian labor force is the sum of the official civilian labor force and the labor force reserve. Members of the labor force reserve are excluded from the pool of the official labor force.

Chart 5:
Labor Market Underutilization Rates of U.S. Teens
(16-19) All, by Gender and by Race-Ethnic Group, June-July 2008 (in %)



The labor underutilization rates of the nation's teens also varied widely by their family income position. Lower income youth were more likely to be unemployed, underemployed, and members of the labor force reserve than their more affluent peers. Fifty-six percent of teen labor force participants from low income groups were underutilized during the June-July period of 2008, the highest rate of labor underutilization by far. These underutilization rates declined steadily with the family incomes of teens until the most affluent group of teens was reached; i.e., those living in families with incomes over \$150,000. The lowest income youth were twice as likely to be underutilized as their more affluent counterparts with incomes over \$75,000 in the summer of 2008. Those youth most in need of employment were least likely to obtain it.

Chart 6:
Estimates of the Labor Underutilization Rates of Teens
During the Summer of 2008 By Household Income (in %)



The sharp drop in teen summer employment over the past seven 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 2.816 million teens who were either unemployed or members of the labor force reserve had been put to work this past summer they would have raised the overall teen E/P ratio by nearly 17 percentage points to 55.6 percent.

These high estimates of labor underutilization among teens, especially low income and minority teens, are likely under-estimates of the actual extent of the problem. Direct interviews with Black teens in high poverty neighborhoods in recent years have yielded much higher unemployment rates than interviews with proxy respondents, primarily their mothers. 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 during the high school years also are more likely

to drop out of high school, become involved with the criminal justice system, and to become pregnant.¹⁹

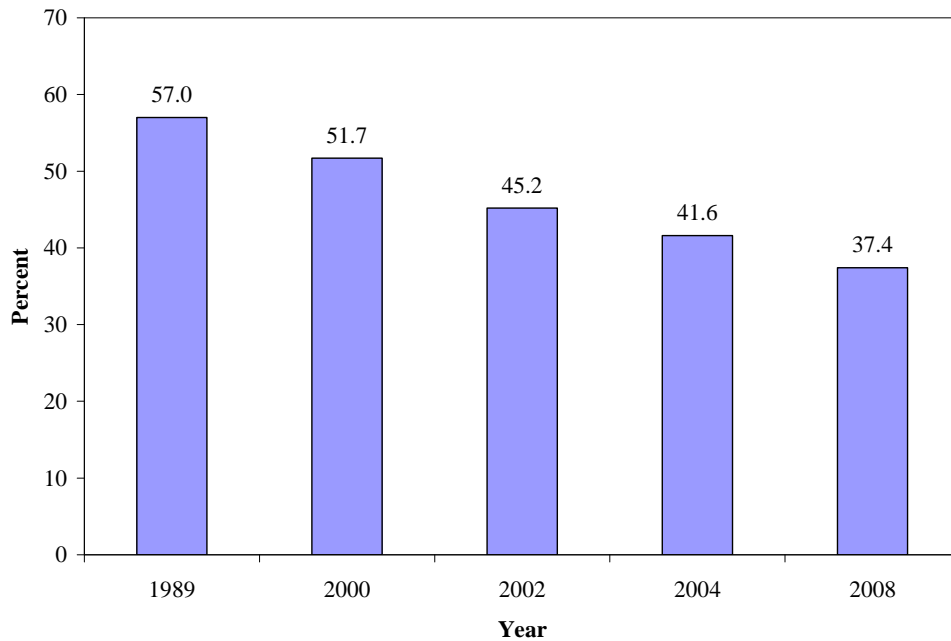
Estimating the Number of Teens that Would Have Been Employed in the Summer of 2008 If They Had Been Able to Match the Summer Jobholding Rates of Their Peers in 1989 and 2000

As noted earlier, the summer employment rates of teens in the U.S. have declined fairly steadily and substantially over the past 8 years and even more dramatically from the cyclical peak employment rate of 57% in the summer of 1989 (See Chart 7). The 2008 summer employment rate (not seasonally adjusted) of America's teens was only 37.4%, down by 14.3 percentage points from the summer of 2000 and nearly 20 percentage points below the summer employment rate of 1989, a near 40 percentage decline over the past 19 years. Despite the enormity of this drop in the teen employment rate over the past 8 years, there has been no public policy response from either the U.S. Congress or the Bush Administration.

¹⁹ For a review of the economic benefits of in-school work experience in improving the transition from high school to the labor market upon graduation,

See: (i) 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; (ii) Andrew Sum, Ishwar Khatiwada, and Sheila Palma, *The Influence of In-School Summer and Senior Year Work Experiences on the Post-High School Employment Experiences of Boston High School Graduates from the Class of 2005*, Paper Prepared for the Boston Private Industry Council, Boston, 2007.

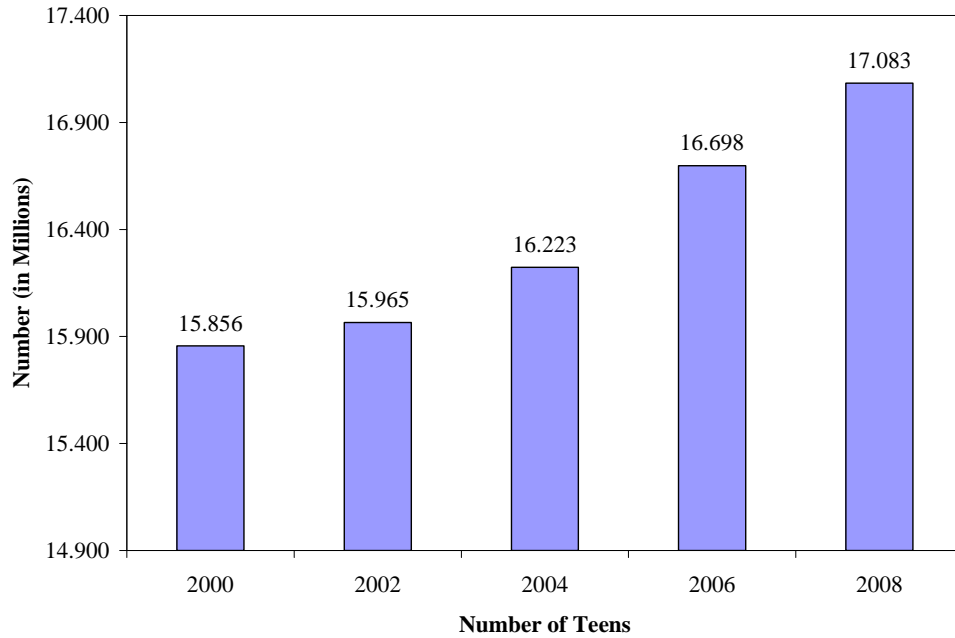
Chart 7:
Trends in the Nation's Teen Summer Employment Rate Selected Years, 1989 to 2008
(Not Seasonally Adjusted in %)



While teen summer employment rates have declined nearly steadily over the past eight years, the number of teens (16-19) in the civilian noninstitutional population has increased steadily over these same 8 years.²⁰ In the summer of 2000, there were 15.856 million teens residing in the civilian noninstitutional population of the U.S. By 2004, the number of teens had increased to over 16.2 million and would rise above 17 million by the summer of 2008, an increase of 1.2 million over this eight year period

²⁰ The civilian, noninstitutional population of the United States excludes those teens who were serving in a branch of the nation's armed forces or were inmates of institutions, such as juvenile homes, jails, prisons, or mental hospitals.

Chart 8:
The Number of 16-19 Year Olds in the Civilian Noninstitutional
Population of the U.S., Selected Years, 2000-2008
(June-August Averages)



Due to the rise in the number of teens in the population and the steep decline in the percent of teens with a summer job, the pool of teens that would have been employed this past summer if they had been able to obtain jobs at the same rate that they had in the summers of 2000 and 1989 would have been substantially higher. We have simulated the number of teens that would have been employed in the past summer (2008) if they had been able to match their employment rates during the summers of 2000 and 1989.

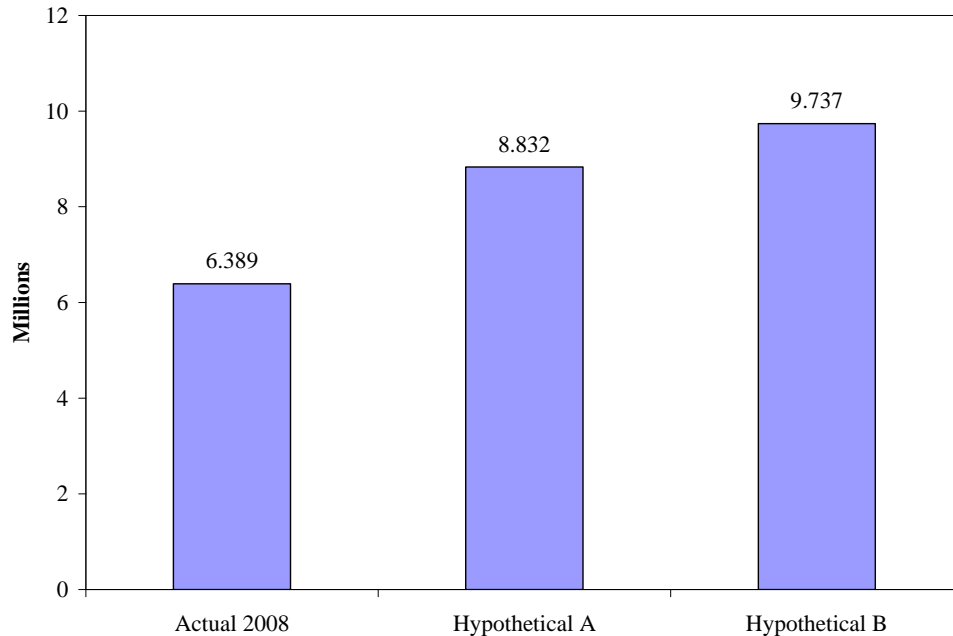
Table 6:
Comparisons of the Actual Summer 2008 Employment Levels of the
Nation's Teens With the Employment Levels that Would Have Prevailed if the
Summer Employment Rates of 2000 and 1989 Had Prevailed
 (Not Seasonally Adjusted)

Scenario	(A) Number of Teens in Summer 2008 Pop. ¹	(B) Hypothetical Employment Rate	(C) Hypothetical Employment	(D) Actual Employment	(E) Hypothetical – Actual
A: 2000 Summer Employment Rate	17.083	51.7%	8.832	6.389	2.443
B: 1989 Summer Employment Rate	17.083	57.0%	9.737	6.389	3.348

¹Teen population data are for the civilian noninstitutional population rather than the entire resident population.

If the summer 2000 employment rate of 51.7% had prevailed this past summer, there would have been 8.832 million teens at work in a typical month rather than the 6.389 million who actually held a job, a difference of 2.433 million (Table 6 and Chart 9). If the economy had been able to generate enough jobs including subsidized employment to employ teens at the same rate as the summer of 1989, there would have been 9.737 million teens at work rather than the much smaller 6.389 million, a difference of 3.348 million teens, or more than 50 percent higher than this past summer's teen employment level (Chart 9). The amount of lost work experience by teens during both the school year and the summer will come to haunt them over the next few years as they gain less employment and earn lower hourly and weekly wages.

Chart 9:
Comparisons of the Actual Mean Monthly Number of Teens Employed in the Summer of 2008
with the Number that Would Have Been Employed Under Two Alternative Scenarios
(Numbers in Millions, not Seasonally Adjusted)



Where Do We Go From Here?

“Billions for financial bail outs, but not one cent for employing the nation’s youth.”

There is an old adage that says “it is better to light a candle than to curse the darkness.” A deep darkness has descended upon the nation’s youth labor market over the past eight years, and very few national political leaders have stood up to light a candle. All of the interventions to boost teen employment prospects have come at the local and state level including Boston, Chicago, Los Angeles, New York City, and the states of Minnesota and Massachusetts. The national government has failed to provide any monies to put youth back to work either year round or during the summer despite several bills introduced in the Senate by Senator Murray of the state of Washington (Senate Bill 2755) and Rep. James Clyburn of South Carolina (House Bill 5444). A fiscal stimulus of between \$150 and \$200 billion was enacted in the late winter to boost consumption spending, and multiple billions were authorized this late spring to provide extended unemployment insurance benefits to adults for doing nothing. The Federal Reserve has just provided \$85 billion for the private sector insurance firm AIG, but the federal government

has provided not one dollar for youth. We earlier argued that the fiscal stimulus would do nothing to put America's teens back to work but would provide a substantial economic shot in the arm for OPEC and China through imports of gas and clothing/ household items at the Walmarts of America and their ilk.

Unfortunately, our pessimistic projections were proven to be more than accurate. Teen employment rates declined after the stimulus went into effect with no end in sight. Given the deep continued weakness in teen job markets, declining payroll employment levels across the country, and the extremely high levels of joblessness among young (16-17), Black and Hispanic, and low income teens, we call upon the U.S. Congress to immediately enact a jobs stimulus bill to put the nation's teens and young adults (20-21) back to work starting this Winter and reaching a peak during the summer of 2009. At least \$3 billion would be appropriate for distribution to states and local Workforce Investment Boards to help place teens and young adults in jobs in the private for profit, nonprofit, and government sectors. Funds appropriated under the act (the Youth Jobs Opportunity Act of 2008) can be used for each of the following purposes.

- Hiring a staff to develop unsubsidized jobs for youth in the private, for profit and nonprofit sector and provide on-site support and followup services.
- The payment of partial wage subsidies to private for profit firms for the employment of target youth during the January-May period and the summer months of 2009. Firms would make good faith efforts to retain such youth at the end of the subsidy period.
- The creation of subsidized jobs for teens and young adults in the nonprofit and public sectors with specific employment and skill attainment goals.
- The provision of academic and vocational skills to youth employed in the summer and year-round program. This instruction can be provided either at the worksite or in offsite classrooms.

The goal is to place between 400,000 and 500,000 teens into jobs between January and May and to have no less than 1 million primarily low income youth employed during the summer of 2009. The time for action is now.