

Nation's Teen Summer Employment Rate Hits New Post-World
War II Low: Effects of Federal Jobs Stimulus Overwhelmed by
Private Sector Job Declines

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Introduction

The labor market for the nation's teenagers, especially the younger members of the teen population (16-17), males, and low income youth has been extremely depressed in recent years. The nation's teen employment rate during the summer months has been extraordinarily weak since the end of the labor market boom in 2000, with record low employment rates set during the past few summers. Earlier this decade, the Center for Labor Market Studies of Northeastern University developed a simple regression model based on national time series data for the teenage labor market back to 1969 for projecting the summer employment rate for the nation's teens based on their observed employment behavior during the first four months of each calendar year.¹ For the years from 2004 to 2006, the predicted summer employment rates for teens were very close to their actual employment 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 the summer of 2006.

In May of this year, Center for Labor Market Studies research staff updated the regression model to forecast the summer employment rate for teens in 2009.² Our model projected that the 2009 summer teen employment rate (seasonally adjusted) would be only 31.1%. This rate would have represented an all-time post-WWII low if it had occurred. However, in the late winter of 2009, the U.S. Congress passed and the Obama Administration signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The act included \$1.2 billion in Workforce Investment Act (WIA) funding for youth programs to create summer and year-round jobs for the nation's low income 14-24 year olds over the next eighteen months. The U.S. Department of Labor's Employment and Training Administration strongly encouraged state and local WIA delivery agents to use the ARRA monies to fund summer jobs for economically disadvantaged youth this summer.

¹ 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 Khatiwada, 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.

² Andrew Sum, Joseph McLaughlin, et. al., The Depression in the Nation's Teen Labor Market and the 2009 Summer Job Outlook: The Case for A Massive New Youth Workforce Development Response in All Job Sectors, Prepared for the C.S. Mott Foundation, Flint, Michigan, June 2009.

After completing an analysis of the likely job creation impacts upon teens of the ARRA funded summer jobs program, we upward revised our forecasted teen employment rate by one percentage point to 32.1%. On August 7, the U.S. Bureau of Labor Statistics released its report on the employment situation among the nation in the month of July, including estimates of the number of employed teens (16-19 years old) and their employment rate during that month.³ During July, the estimated (seasonally adjusted) employment rate for the nation’s teens was only 28.9% (Table 1). The employment rate in June was only slightly higher at 29.3%. The two month average from the June-July period was only 29.1%, falling three percentage points below our adjusted, forecasted employment rate of 32.1% and establishing a dramatically new, post-World War II low for the nation’s teens.

Table 1:
The June and July 2009 Employment Rates of the Nation’s Teens (16 – 19) and Comparisons
With Those of 2008 (Seasonally Adjusted in %)

Year	(A) June	(B) July	(C) Two Month Average
2009	29.3	28.9	29.1
2008	32.9	32.3	32.6
Percentage Point Change, 2008 - 2009	-3.6	-3.4	-3.5

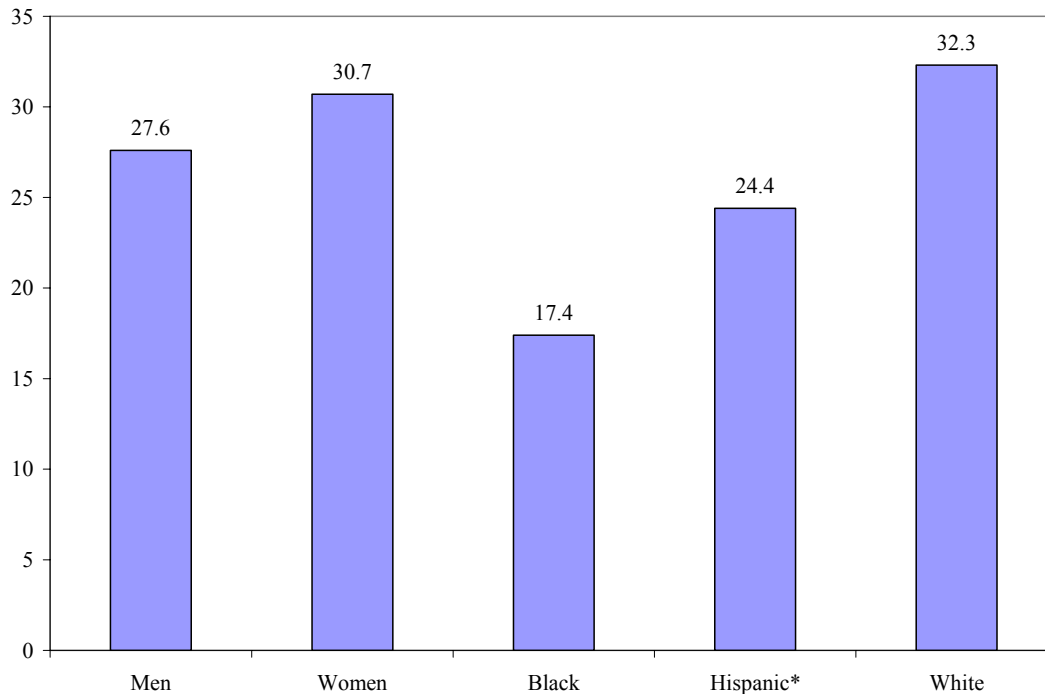
Source: U.S. Bureau of Labor Statistics, “CPS Labor Force Data Series,” web site.

Similar to developments over the past nine summers, the employment rates of the nation’s teens vary quite widely across gender and race-ethnic groups. During the June-July period of this year, the seasonally adjusted employment rates of teens were higher among women than among men (nearly 31% vs. 28%) and much higher among Whites (32%) than among either Hispanics (24%) or Blacks (17%).⁴ The employment rate of White teens was nearly twice as high as that among Black teens, and among members of both of these race-ethnic groups, girls were more likely to be employed than boys.

³ See: U.S. Department of Labor, Bureau of Labor Statistics, The Employment Situation: July 2009, Washington, D.C., August 7, 2009. The Bureau of Labor Statistics publishes more detailed findings of the monthly CPS household surveys on its website, including historical time series data.

⁴ Hispanics can be members of any race-ethnic group. They will be included in the ranks of both Whites and Blacks in Chart 1.

Chart 1:
The June - July 2009 Average Employment Rates of the Nation's Teens by Gender and Major Race-Ethnic Group



Note: (*) The Hispanic teen employment rate was seasonally adjusted by applying the seasonal adjustment factors for all teens.

While the CPS public use data files for July have not yet been released and the August interviews are just being undertaken by the U.S. Census Bureau, findings for past summers, including the summers of 2008 and 2007, have revealed very substantial gaps in teen employment rates by family income level.⁵ Employment of teens tends to rise with their family's income level until annual incomes over \$100,000 are reached. Low income youth (those living in families with an income under \$20,000), especially from minority group families, have worked at the lowest rates over the past decade. Teen employment rates also have varied widely across individual states, typically being highest among states in the Midwest farm belt and the Rocky

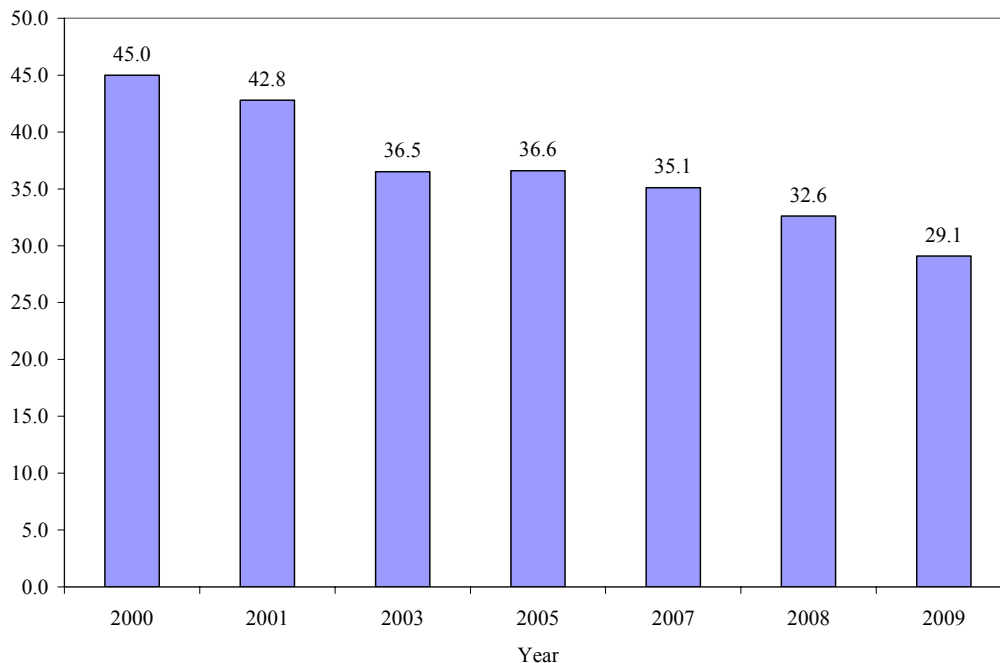
⁵ Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, et.al. The Historically Low Summer and Year Round 2008 Teen Employment Rate: The Case for an Immediate National Public Policy Response to Create Jobs for the Nation's Youth, Center for Labor Market Studies, Northeastern University, September 2008.

Mountain region and lowest in the District of Columbia, in parts of the South, and the states of California and New York.

The Steep Downward Trends in Teen Employment Rates From 2000-2009

The nation's teen labor markets have been in a steep, nearly continuous decline over the past nine years, establishing new historical, post-World War II lows during the past three summers (Chart 2). Near the tail end of the labor market boom from 1993-2000, the nation's teen employment rate reached 45.0%.⁶ This rate did not match the summer employment of teens at the near peak of the previous economic cycle in 1989 or the near 50% rate in 1978, but it would represent a dramatically higher rate than any year since.

Chart 2:
Trends in the June – July Employment Rates of the Nation's Teens, Selected Years, 2000 – 2009
(Seasonally Adjusted, in %)



⁶ This was the last summer in which a federally funded summer jobs program for economically disadvantaged youth existed. The WIA legislation of 1998 did not separate funding of a summer jobs program. There was a near complete elimination of WIA monies to support summer jobs creation until this summer when the U.S. Congress added \$1.2 billion to youth employment programs under the ARRA legislation.

During the national economic recession of 2001 and the largely jobless recovery of 2002-2003, the teen employment rate dropped considerably, falling to 36.5% by 2003. Over the next three years, the teen summer employment rate basically held steady despite fairly strong gains in overall payroll employment across the nation. From the summer of 2006 to the summer of 2009, the teen employment rate during the June-July period dropped steadily, falling to 29% in the first two months of the summer of 2009, marking three back to back years of new historical lows (Chart 2). No age group of American working-age adults has seen such a dramatic decline in their overall employment rates over the past three years.

The severe deterioration in teen employment opportunities took place in each gender and race-ethnic group over the past nine years, with the relative size of these declines being greater for men both overall and in each of three race-ethnic groups. Between the June-July period of 2000 and 2009, the teen E/P ratio fell from 45 to 29 percent, a drop of 16 percentage points or 35% (Table 2). Male teens experienced a greater absolute and relative decline in their employment rate than women. In the summer of 2000, there was gender equality in teen employment rates. By 2009, the male teen employment rate had fallen by nearly 18 percentage points or 40% while their female peers experienced a smaller though steep 14 percentage point drop equivalent to a 32% decline. In the summer of 2009, female teens had a 3 percentage point higher employment rate than men. These gender differences in teen employment rates also prevailed on a year-round basis. During the first six months of this year, teenaged women were more likely to be employed than men in each single age group and in each major race-ethnic group. In the January-June period of 2009, young adult men (20-24 and 25-34) as well as teens were less likely to be employed than at any other time since the end of World War II.⁷

⁷ See: Andrew Sum, Joseph McLaughlin, with Sheila Palma, The Collapse of the Nation's Male Teen and Young Adult Labor Market, 2000-2009: The Lost Generation of Young Male Workers, Report Prepared for the C.S. Mott Foundation, Flint, Michigan, July 2009.

Table 2:
Estimated Changes in the June – July Employment Rates of All Teens and by Gender Between the Summers of 2000 and 2009 (Seasonally Adjusted, in %)

Group	(A) 2000	(B) 2009	(C) Absolute Change	(D) Percent Change
All	45.0	29.1	-15.9	-35%
Men	45.2	27.6	-17.6	-39%
Women	44.9	30.7	-14.2	-32%

Source: U.S. Bureau of Labor Statistics, “CPS Labor Force Data Series,” web site.

The declines in the summer and year-round employment rates of male teens among Black, Hispanic, and White 16-19 year olds exceeded those of their female counterparts over the 2000-2009 period. Black males incurred a near 50% drop in their employment rate from 34 to 17 percent while Hispanic females were characterized by a much smaller 22% decline.

Table 3:
Trends in the Summer Employment Rates of 16 – 19 Year Olds in the U.S., by Gender/Race-Ethnic Group, From June – July 2000 to June – July 2009 (Not Seasonally Adjusted in %)

Group	June - July 2000	June - July 2009	Percent Point Change	Percent Change
White Females	55.8	39.1	-16.8	-30.0%
White Males	58.8	36.9	-21.9	-37.2%
Black Females	34.6	22.3	-12.4	-35.7%
Black Males	33.5	17.1	-16.4	-49.0%
Hispanic Females	35.9	27.9	-8.0	-22.2%
Hispanic Males	45.6	29.0	-16.6	-36.4%

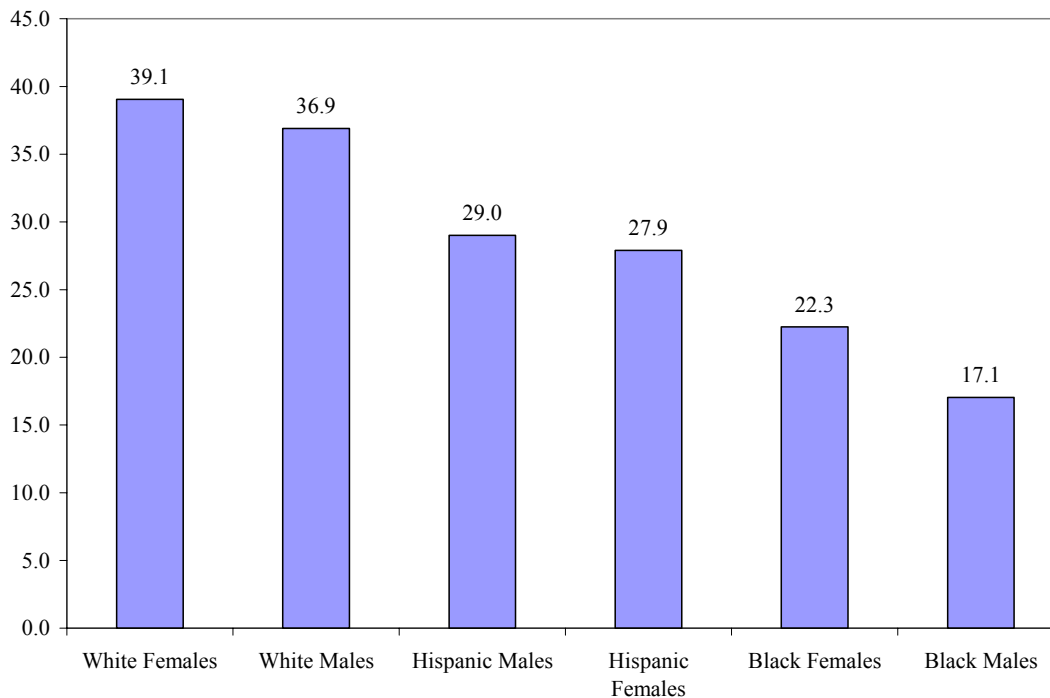
Source: U.S. Bureau of Labor Statistics, “CPS Labor Force Data Series,” web site.

In the summer of 2009, the employment rates of teens varied considerably across gender/ race-ethnic groups, ranging from a low of 17% among Black males and 22 percent among Black females to a high of 39 percent among White females.⁸ These White, female teens were 2.3 times as likely to be employed as their Black, male counterparts in the same age group. Family income

⁸ These summer 2009 employment rates for gender/ race-ethnic subgroups are not seasonally adjusted. The U.S. Bureau of Labor Statistics does not provide seasonal adjustment factors for each of these groups.

backgrounds also widen these employment rate differences across groups of teens to a considerable degree.

Chart 3:
The Employment Rates of 16-19 Year Olds By Race-Gender Subgroup,
June-July 2009 (2-Month Averages, Not Seasonally Adjusted)



The Economic Forces Underlying the Dramatic Drops in Teen Employment Rates in Recent Years

The substantial deterioration in teen employment rates since 2000 and during the past three years reflect a combination of labor demand forces, increased labor supply for jobs sought by teens from other demographic sources (younger adults, older adults, immigrants), and sharp increases in the federal minimum wage and some state minimum wages over the past three years, from the summer of 2007 to 2009.⁹ Teen employment traditionally has been very cyclically sensitive, falling at above average rates during recessions and jobless recoveries and rising rapidly in most periods of strong job growth such as 1983-1989 and 1993-2000. Drops in teen employment during the winter and early spring of each year presage a weak summer teen job

⁹ For a recent econometric appraisal of the impacts of state and federal minimum wages on teen employment, see: Manfred Keil, Donald Robertson, James Symons, Minimum Wages and Employment, Claremont Colleges Working Paper 2001-08, 2001.

market as our simple forecasting model would predict. Teen employment over the past three summers, however, has been weaker than predicted by our forecasting model. The teen summer employment rate through the first two months of the summer of this year was only 29.1%, falling three percentage points below our jobs forecast. In the two most recent summers (2007 and 2008) and apparently for this summer based on the teen performance during the first two months, our model has generated predictions that were too optimistic (Table 4).

Table 4:
Comparisons of the Predicted and Actual Teen Summer Employment Rates from
2005 to 2009 (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	32.1% ¹	29.1% ²	-3.0 percentage points

Notes: 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 for teens in year t.

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

(1) The predicted rate for 2009 is based on our model's forecast of 31.1% and our separate estimates of the projected increase in teen employment due to the new summer jobs programs funded through ARRA.

(2) The actual summer employment rate for 2009 is based on a 2-month average for June and July. August employment data will be available from the CPS household survey after the first week of September.

There are a variety of potential explanations for the gap between our predicted teen summer employment rates and the actual rates over the past few years. First, it appears that, when payroll employment falls sharply during the first 4 months of the year, employers substantially cut back on their hiring of teens during the summer months. Second, given the length and severity of the 2007-2009 recession, more younger adults including college students, prime-aged working adults, and older adults (60+) are willing to compete with teens for a wide array of entry level positions. Third, rising federal and state minimum wages appear to have

influenced employers to scale back the hiring of teens especially those with limited work experience and rely on more experienced workers. In turn, higher minimum wages encourage more adults both 20-24 year old and older adults (60+) seeking part-time and seasonal work to apply for entry level jobs that now pay better wages. The combined effects of these three labor market developments have severely decreased employment opportunities available to teens during the summer months of 2008 and 2009 below our projections and directly contributed to their historical low employment rates.

The Deeply Depressed Short-Term Outlook for the Teen Labor Market and the Case for a New and Expanded National Youth Jobs Stimulus

The nation's teens and its young adults, especially males, have faced a "depression" in the labor market over the past few years, with basic employment rates for teens and young adult men falling to new historical lows for the post-World War II period. Given the modest economic growth projections for the nation in 2010 (assuming that the recession officially ends this fall), very little aggregate employment growth can be expected. The median forecast for real output (GDP) growth in the U.S. for 2010 is only 2.0%. This rate of growth could easily be achieved through a lengthening of the current work hours of existing employees and labor productivity gains, especially given the huge pool of underemployed workers in the U.S. (9 million working part-time even though they desire full-time jobs).

Experience from the economic recovery from the 2001 and 1990-91 recessions revealed a 16 to 19 month lag before payroll employment began to rise steadily and the unemployment rate actually peaked. Teen employment never resumed steady growth during the national labor market recovery from July 2003 onward through the early fall of 2007. Given the likely absence of any near term resurgence in employment growth, teens will face declining employment rates through 2010 in the absence of new and expanded job creation strategies targeted upon teens and young adults (20-24).

The numbers of additional jobs needed by the nation's teens this summer to restore their employment rates to previous cyclical peaks over the past 30 years are displayed in Table 5. To match the teen E/P ratio of 45.0% that prevailed in the summer of 2000, an additional 2.7 million teens would have had to be employed this summer. The previous peak summer teen employment rate of 48.3% prevailed in the summer of 1989 near the tail end of the 1982-1990 growth cycle. An additional 3.27 million teens would have had to be employed this past summer to match this

employment rate. Finally, the 49.1% teen employment rate in the summer of 1978 during the peak of the youth job creation build up under the CETA and the YEDPA legislation would have been matched this summer only if 3.4 million more teens would have been at work (Table 5).

Table 5:
Net New Jobs Needed by the Nation’s Teens in the Summer of 2009 to Match Previous High Employment Rates from 1978 to 2000

Alternative Time Period Scenario	(A) Employment Rate in Period (in %)	(B) 2009 E/P Rate (in %)	(C) E/P Gap (in Percentage Points)	(D) Teen Population in Summer 2009 (in Millions)	(E) Teen Job Gap (in Millions)
Summer 1978	49.1	29.1	20.0	17.05	3.41
Summer 1989	48.3	29.1	19.2	17.05	3.27
Summer 2000	45.0	29.1	15.9	17.05	2.71

The current job deficits of the nation’s teens and young adults are extraordinarily high, both year-round and during the summer. We earlier had estimated that the WIA summer jobs programs funded under the ARRA stimulus might have created 300,000 jobs for teens during the months of July and August.¹⁰ Even with a jobs stimulus this high, a near 3 million jobs deficit remains, and the gap will increase in size as the 2009 summer jobs program comes to an end in August. New all time low teen E/P ratios will be reached this coming fall and winter.

There is an immediate need for the U.S. Congress and the Obama Administration to pass new national legislation to help expand teen and young adult employment both year-round and during the summer. This jobs stimulus is needed in the private for profit sector as well as the non-profit and public sectors. A national Task Force on Youth Employment staffed by both private citizens as well as government employees should be established by the Obama Administration and charged with the responsibility of developing an agenda to expand youth employment prospects dramatically over the next five years. Among the policy actions that should be considered by this task force and the U.S. Congress are the following:

¹⁰ See: Andrew Sum, Joseph McLaughlin, et. al., The Depression in the Nation’s Teen Labor Market and the 2009 Summer Job Outlook: The Case for A Massive New Youth Workforce Development Response in All Job Sectors, Prepared for the C.S. Mott Foundation, Flint, Michigan, June 2009.

- An immediate expansion of federal monies (up to \$5 billion per year) to create both year-round and summer jobs for teens and young adults (20-24) under the Workforce Investment Act.
- The provision of federal funds to allow an expansion of the hiring of year-round Career Specialists in each local WIA service delivery area to help develop year-round and summer paid internships for youth in the private sector.
- The passage of legislation similar to the New Jobs Tax Credit of the late 1970's that provided tax credits for employers who expanded the number of workers on their payrolls. These tax credits would apply to some fraction (e.g. 30%) of the first \$10,000 to \$15,000 in earnings for newly hired workers in the designated groups.
 - The testing of wage subsidies to private sector employers for hiring youth from high poverty neighborhoods similar to those that were tried during the Youth Entitlement demonstrations of the 1970's.
 - A reduction in the age range for which workers become eligible for the federal Earned Income Tax Credit (EITC) from 24 to age 18. An expansion of the EITC credits for these younger, low earnings workers should encourage their active labor force participation and labor supply.¹¹

In the absence of any comprehensive new set of strategies to dramatically boost teen employment, the labor market for teens will continue to deteriorate over the next few years with adverse consequences for their future employability and earnings.

¹¹ See: Gordon Berlin, "Rewarding the Work of Individuals: A Counterintuitive Approach to Reducing Poverty and Strengthening Families," The Future of Children, September 2007.