

**The Continued Collapse of the Nation's
Teen Job Market and the Dismal
Outlook for the 2008 Summer Labor Market for
Teens: Does Anybody Care?**

Prepared by:

Andrew Sum

Joseph McLaughlin

Ishwar Khatiwada

With

Sheila Palma

Center for Labor Market Studies
Northeastern University
Boston, Massachusetts

April 2008

Introduction

The national labor market has weakened considerably over the past four months, raising serious concerns among some of the nation's policymakers, economic analysts, and business/labor leaders that the U.S. is headed into a recession if not already in the midst of one.¹ Since December 2007, total nonfarm wage and salary employment has declined steadily, with the March payroll numbers (seasonally adjusted) being 232,000 below their December 2007 level. The number of payroll jobs in the private sector has declined for four consecutive months, and all of the net reduction in total payroll employment over the December 2007-March 2008 period took place in the private sector.

At the same time that payroll employment has been declining, the nation's unemployment rate has been rising. During March, the overall unemployment rate was estimated to be 5.1%. During the first quarter of this year, the unemployment rate has averaged just under 5 percent versus a 4.5% rate in the first quarter of calendar year 2007. The average monthly number of unemployed persons during the January-March period was 600,000 higher than a year ago. While overall joblessness has risen, the number of workers reporting themselves to be employed part-time for economic reasons also has sharply increased over the past year, rising by 600,000 to 4.856 million in the first three months of the year.

The deterioration of national labor market conditions has accelerated the collapse of the teen job market across the country. Teen employment rates have been declining sharply since the fall of 2006, well before the national job market began to deteriorate, and the drop has accelerated in recent months. During the first three months of 2008, the teen employment/population ratio (E/P) averaged only 33.5%, implying that only 1 of every 3 teenagers (16-19 years old) was employed in any type of job during an average month over the January-March period.² (See Table 1). The teen employment rate during the first quarter of 2008

¹ Martin Feldstein, the President of the National Bureau of Economic Research, which is the official arbiter of the nation's business cycle dating, has recently expressed his view that the economy is in the midst of a recession. See: Todd Wallack, "Recession is Here, Economist Declares", The Boston Globe, March 10, 2008, pp. A-1.

² The employment/population ratio (E/P) is influenced by both teens' labor force behavior and their unemployment rate. When jobs for teens become scarce, they are less likely to enter the labor market in seek of work. Their unemployment rate may not rise, but their E/P ratio will decline due to a lower rate of labor force attachment. Teen labor force participation rates have declined substantially since 2000. Joblessness has risen substantially, but the official unemployment rate has gone up by only a few percentage points from 13.3% that first quarter of 2000 to 16.8% in the first quarter of this year.

was 2.3 percentage points below its value in the same time period of 2007 and 3.6 percentage points below its value in 2006.

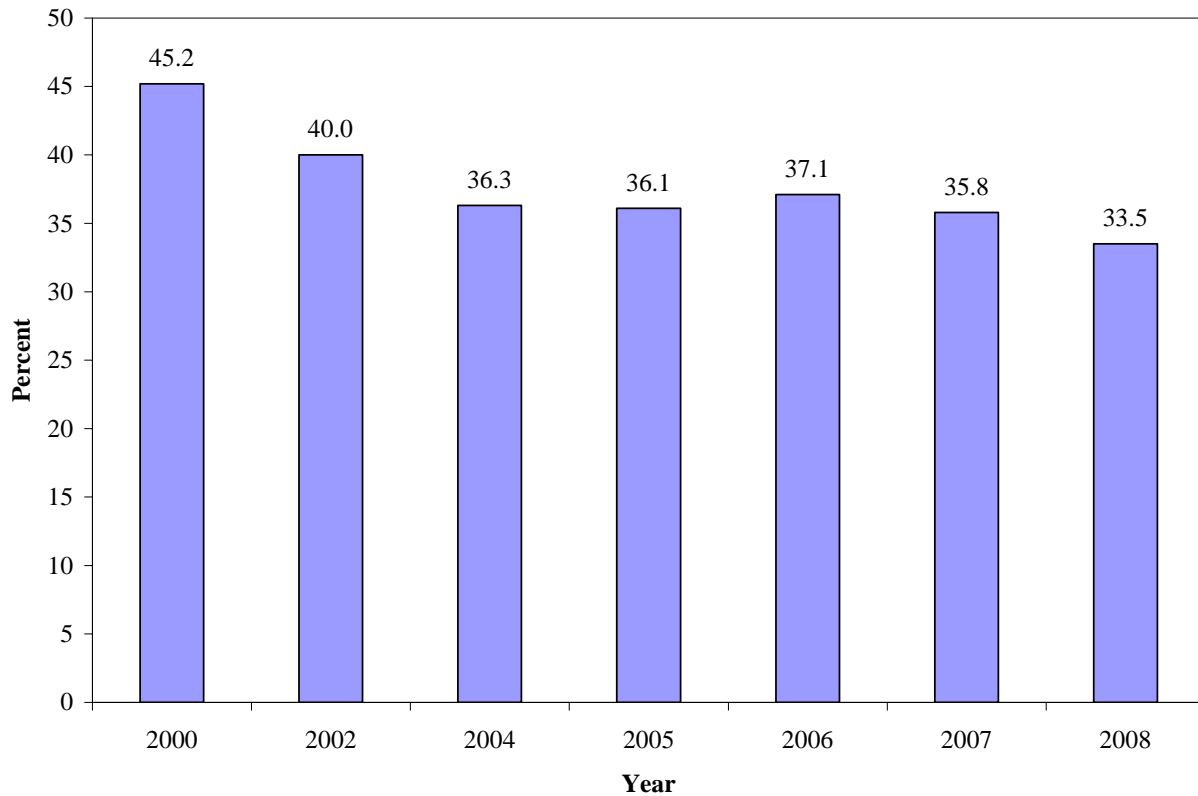
Table 1:
The Employment/Population Ratios of U.S. Teens 16-19 from
January – March 2006 to January – March 2008
 (Seasonally Adjusted, Three Month Averages in %)

	(A)	(B)	(C)	(D)
Month	2006	2007	2008	Percentage Point Change, 2006-2008
January	36.8	36.2	33.6	-3.2
February	37.3	35.8	33.4	-3.9
March	37.1	35.4	33.5	-3.6
January – March Average	37.1	35.8	33.5	-3.6

Source: U.S. Bureau of Labor Statistics, web site, tabulations by authors.

Near the peak of the national labor market boom in 2000, the E/P ratio of the nation’s teens in the first quarter was 45.2% versus the 33.5% rate of 2008, a difference of 11.7 percentage points or 26%. (Chart 1). The teen E/P ratio of 33.5% in the most recent quarter was the lowest ever recorded in the 60 year history of national CPS teen employment data going back to 1948. If the nation’s teens had been employed at the same rate in 2008 that they had been in the first quarter of calendar year 2000, there would have been another 2 million teenagers working in the past three months. Job losses for teens over the past eight years have been quite severe for nearly all major demographic, socioeconomic, and geographic subgroups of teens, but the nation’s youngest teens (16-17), males, Blacks, Hispanics, and low income youth remain employed at rates below those of their respective peers. Low income, Black and Hispanic teens face the equivalent of a Great Depression.

Chart 1:
Trends in the Teen Employment Rate During the January-March Period of the Calendar Year
(Seasonally Adjusted, 3 Month Average)



One of the most puzzling developments in the teen labor market in the past five years has been their failure to capture any positive share of the gain in civilian employment during the jobs recovery. During the strong economic recovery of the early 1990s to the mid-1990s, teens accounted for nearly 1 of every 10 net new employed persons (Table 2). Teen employment rose by nearly 1 million between the first quarter of 1992 and the fourth quarter of 1996. During the national job recovery from the third quarter of 2003 to the end of 2007, total civilian employment rose by 8.747 million. Yet, the number of employed teens was 10,000 lower at the end of the boom than at its beginning despite continued growth in the size of the teen population. Teens captured none of the job growth, a historically unprecedented development.

Table 2:
Changes in Total Civilian Employment (16+) and Teen Employment
Between Two Job Growth Periods, 1992 I – 1996 IV and 2003 III – 2007 IV
(in 1000s)

	(A)	(B)	(C)
Time Period	Total Employment (16+) Change	Teen Employment Change (16-19)	Teen Share of Job Increase
1992 I – 1996 IV	9,882	937	9.5%
2003 III – 2007 IV	8,747	-10	0%

There are many reasons to care about rising youth joblessness. Path dependency is strong in teen employment behavior.³ The more teens work this year, the more they work next year. These path dependency relationships hold true for all major educational and demographic subgroups, especially among low income and minority youth. Less work experience today leads to less work experience tomorrow and lower earnings down the road. Disadvantaged teens who work in high school are more likely to remain in high school than their peers who do not work.⁴ Teens who work more in high school have an easier time transitioning into the labor market after graduation. National evidence shows that pregnancy rates for teens are lower in metropolitan areas where employment rates for teen girls are higher.⁵

The Projected Summer 2008 Job Outlook for the Nation’s Teens

How well are the nation’s teens likely to fare in the job market this summer? To answer this important question, we rely on forecasts from a simple regression model of teen summer

³ For recent findings on the path dependency of teen employment behavior both overall and in key educational subgroups across the nation,
See: Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, The Path Dependency of Teen Employment in the U.S.: Implications for Youth Workforce Development Policy, Report Presented to the U.S. Conference of Mayors, Washington, D.C., October 2007.

⁴ For a comprehensive review of the economic and social benefits of in-school work experience and stronger literacy/numeracy proficiencies,
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, Johns Hopkins University, Baltimore, 2000.

⁵ See: Jonathan Gruber (Editor), Risky Behavior Among Youths: An Economic Analysis, University of Chicago Press, Chicago, 2001.

employment rates that we developed five years ago.⁶ This regression model initially was estimated with the use of national CPS data on teen employment rates for the years 1980 through 2002. The model was designed to predict the average summer teen employment rate for the months of June-August (seasonally adjusted) with the use of data on the estimated employment rates of teens in the winter and early spring of each year (January-April). The strength of the job market for teens in the summer can be predicted quite well by the employment rates of teens in the winter and early spring of the same year.

This simple forecasting model has performed extremely well in predicting teen summer employment rates over the 2003 to 2007 period. There typically is a large influx of teens into the civilian labor force during the summer months as students graduate from high school or go on summer vacation from high school and college. During recent years, approximately two million additional teens have entered the labor market in June and July in search of work. For example, there were 6.755 million teens active in the nation's civilian labor force on average during the January-March 2006 period, but the teen labor force swelled to approximately 8.768 million during the months of June and July of 2006, a gain of 2.013 million teens. The ability of these teens to obtain jobs during the summer should be strongly associated with the strength of the teen labor market earlier in the year. Many teens employed during the winter and spring months continue on those same jobs during the summer, and the hiring of additional teens in the summer is linked to the volume of teen hiring activity earlier in the year. The demise of the nation's Summer Youth Employment Program in 2000 also has contributed to the labor market difficulties faced by teens, especially economically disadvantaged youth, in obtaining jobs during the summer months.⁷ Some states and big city mayors (Boston, Chicago, New York) have provided funding for jobs for teens or organized intensive private sector job creation.

In our forecasting model, the summer teen employment rate (seasonally adjusted, June-August average) is regressed against the teen employment rate during the first four months of the

⁶ For a review of the construction of the summer teen employment forecasting model, the elements of the regression model, and its initial use in predicting the teen employment rate for the summer of 2003, See: Andrew Sum, Nathan Pond, and Mykhaylo Trubs'kyy with Sheila Palma, The Summer Job Market for the Nation's Teenagers from 2000 – 2002 and the Employment Outlook for the Summer of 2003, Center for Labor Market Studies, Northeastern University, Boston, 2003.

⁷ In passing the Workforce Investment Act of 1998, the U.S. Congress and the Clinton Administration ended funding for a separate, categorical Summer Youth Employment Program that previously provided 600,000 or more jobs for largely economically disadvantaged youth during the summer months.

year (January-April, seasonally adjusted). Findings of our regression results from the initial model are displayed in Table 3. The predicted seasonally adjusted, summer teen employment rate for a given year (in percentage points) will be equal to $43.8 + (.93)$ times the average monthly, seasonally adjusted teen employment rate during the first four months of the calendar year.⁸ The higher the teen employment rate during the January-April period, the higher will be the predicted summer employment rate. The overall fit for the simple regression model was quite respectable (an R^2 value of approximately .74, which was highly significant at the .001 level).

Table 3:
Findings of the Regression Model Estimates of the Summer Teen Employment Rate in the U.S.
Based on Observations from 1980 to 2002
(Seasonally Adjusted E/P Rates in %)

	(A)	(B)	(C)	(D)
Regression Variable	Coefficient	Standard Error	t-statistic	Sig. of t
Constant	43.8	.24	177.8	.001
WINSPREP	.93	.12	7.67	.001

$R^2 = .737$
D.F. = 1, 21
F = 58.8
Sig. of F = .001

Another method for assessing the forecasting accuracy of the regression model is to compare predicted summer employment rates for years outside of the time period covered by the regression analysis with the actual summer employment rates for those same years. Comparisons of the predicted and actual summer teen employment rates for 2000 and each of the past five summers (2003-2007) are displayed in Table 4. For the summer of 2000, a year falling within the time period covered by the model, the predicted summer employment rate was 45.3%, which was nearly identical to the actual, estimated 45.0% employment rate for that summer. For the summer of 2003, the first prediction lying outside of the data set used to construct the model, we estimated a summer employment rate of only 37.8%, but our prediction turned out to be a little too optimistic. The CPS survey's estimated teen employment rate for the summer of 2003 was

⁸ This variable is referred to as the “adjusted winter/spring employment rate” since its value is not the actual employment rate from January-April but rather the value obtained by subtracting 43.8 from the estimated teen employment rate (in percentage points) for the first four months of the year.

only 36.5%, or 1.3 percentage points below our prediction. In other words, teens fared somewhat less well than our model had predicted. For the summer of 2004, we predicted an employment rate of 36.9%. The actual, estimated employment rate for the summer was 36.1%, a value .8 percentage points below that of our prediction. Again, our model was slightly too optimistic. For the summer of 2005, our predicted teen summer employment rate came within one-tenth of a percentage point in exactly matching the CPS survey's estimated teen employment rate. Last year, our predicted teen summer employment rate exceeded the estimated employment rate by a full 2 percentage points. If the August 2007 employment rate had not declined sharply below the June-July estimates, our model's prediction would have been within one percentage point of the actual rate. The summer 2007 job market for teens was the worst on record in post-World War II history as the seasonally adjusted employment rate for teens plummeted to 34.5%. In sum, over the past five years, the model has done a very good job in predicting teen summer employment rates and has never under predicted the strength of the teen summer job market.

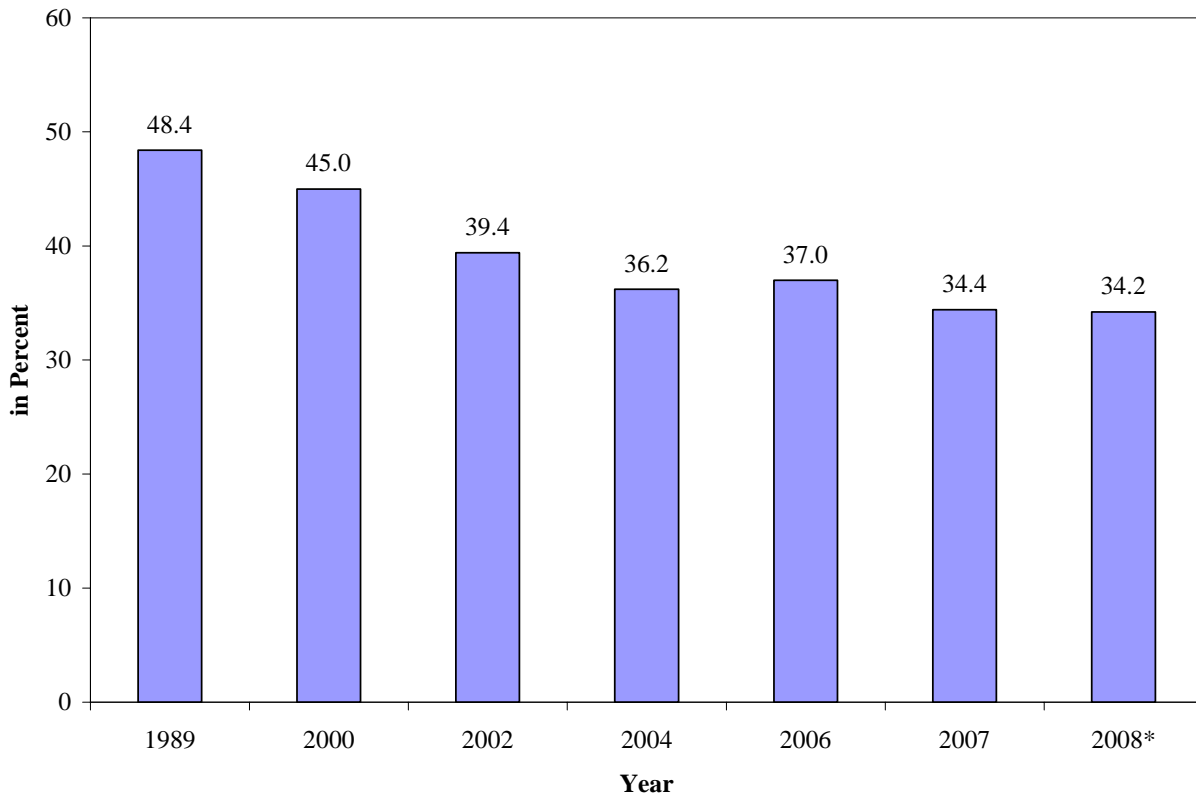
Table 4:
Comparisons of Predicted and Actual Summer Employment Rates of the Nation's Teens,
Summers of 2000, 2003-2008 (Seasonally Adjusted, in %)

	(A)	(B)	(C)
Year	Predicted	Actual	Actual – Predicted
2000	45.3	45.0	-.3
2003	37.8	36.5	-1.3
2004	36.9	36.1	-.8
2005	36.7	36.8	+.1
2006	37.4	37.1	-.3
2007	36.5	34.5	-2.0
2008	34.2	?	

Unfortunately, the 2008 summer jobs outlook for the nation's teens is even worse than last year given the three consecutive monthly losses in employment at the national level from January through March 2008 and the continued deterioration in the teen labor market. As noted earlier, the monthly average teen employment rate for the January-March period of this year was only 33.5%, the lowest ever recorded since 1948. Our predicted summer teen employment rate for this year is only 34.2%, a rate below the historical low experienced last summer and 11

percentage points below the summer employment rate of 2000 (Chart 2).⁹ Our 2008 summer jobs outlook poses serious problems for many teens hoping to find work this summer. Younger teens (16-17), males, Black and Hispanic youth, and low income youth are most at-risk of joblessness this coming summer.

Chart 2:
Trends in the Teen Summer Employment Rate, U.S., 1989-2008
(Seasonally Adjusted in %)



⁹ Although the regression model is based on findings on teen employment rates for a four month period (January-April), our prediction for 2008 relies on data available for the first three months of 2008. The April 2008 CPS monthly data were not available at the time of publication. They will be released by the U.S. Bureau of Labor Statistics in its monthly Employment Situation report on May 2nd.

What Can Be Done?

The U.S. Congress had an opportunity to boost teen and young adult employment this year when it passed a fiscal stimulus package to stimulate consumer spending. Yet, despite efforts led by Senator Edward Kennedy, D-Mass., and evidence that past federal job creation programs have been found to be most effective in creating net new jobs for teens, particularly low-income teens, the White House and the Congressional leadership of both parties killed the proposal to add \$1 billion to create jobs for teens and unemployed young adults.

The failure of both the Bush Administration and the U.S. Congress to enact any legislation to directly boost teen and young adult employment prospects over the past few summers and during the current legislative session represents a massive policy failure and a departure from Congressional actions in prior recessions in the 1970s, 1980s, and 1990s. The nation's governors, mayors, and other local elected officials as well as state and local WIA directors/board members and youth serving organizations should call upon the U.S. Congress to immediately enact legislation to provide subsidized jobs for the nation's teens and funds for state and local WIA staff to help develop unsubsidized jobs for teens during both the summer and the remainder of the calendar year.

The nation's teens did not obtain any of the jobs generated by the income tax cuts of 2001 and, based on past experience, are unlikely to benefit from the recent, large fiscal stimulus of 2008. The federal government through funds devoted to the Iraq War has helped directly create between 70,000 and 80,000 military jobs for Iraqis but not one single job for an American youth.¹⁰ The recent fiscal stimulus will likely create more jobs for OPEC producing nations and China than it will for the nation's teens.

At a time of historically low teen employment rates and the likelihood of a further reduction in teen job opportunities over the remainder of the year, the failure of the U.S. Congress and the Bush Administration to enact a jobs stimulus represents unforgivable, "bipartisan malignant neglect" of the labor market needs of the nation's youth. The bulk of the nation's media and the recent ABC TV network hosts of the "so-called" Presidential debate are

¹⁰ See: Rubin, Alissa J. and Cave, Damien, "In a Force for Iraqi Calm, Seeds of Conflict", New York Times, 23 December 2007, national edition, P-1.

deserving of equal blame for failing to highlight the collapse of the nation's teen job market or to call upon the Presidential candidates to present their proposals for putting America's youth back to work. The time for substantive political action is now: Who will lead the nation?