

The Steep Decline in Teen Summer Employment in the U.S., 2000-2010 and the Summer 2011 Teen Job Market Disaster: Another Bummer Summer

Prepared by:

Andrew Sum

Joseph McLaughlin

Center for Labor Market Studies

Northeastern University

Boston, Massachusetts

August 2011

Introduction

During the past decade (2000-2010), the employment rates of every single age group of U.S. adults 54 and younger declined.¹ These reductions in employment rates, however, were most severe among those 30 and under, with teenagers (16-19) faring by far the worst. The employment rate of the nation's teens fell by nearly 19 percentage points over the decade from nearly 46% to just under 27% by 2010. Male teens fared worse than their female counterparts (a 20.6 percentage point decline in the male employment rate versus an 18.0 percentage point drop for women). The annual average employment rate for teens last year was the lowest ever recorded since the end of World War II.

Despite renewed growth in overall civilian employment last year, the nation's teenagers did not manage to capture any of the increase in employment. While total civilian employment (seasonally adjusted 16 and older) increased by 866,000 between the first quarter of 2010 and 2011, the number of employed teens (16-19) actually declined by 131,000. The E/P ratio (seasonally adjusted) fell to 25.7% in the first quarter of 2011, the fifth consecutive year in which a new historical low for teen employment was reached. In comparison, the first quarter of 2000 saw a teen E/P ratio of 45.2%, nearly 20 percentage points higher.

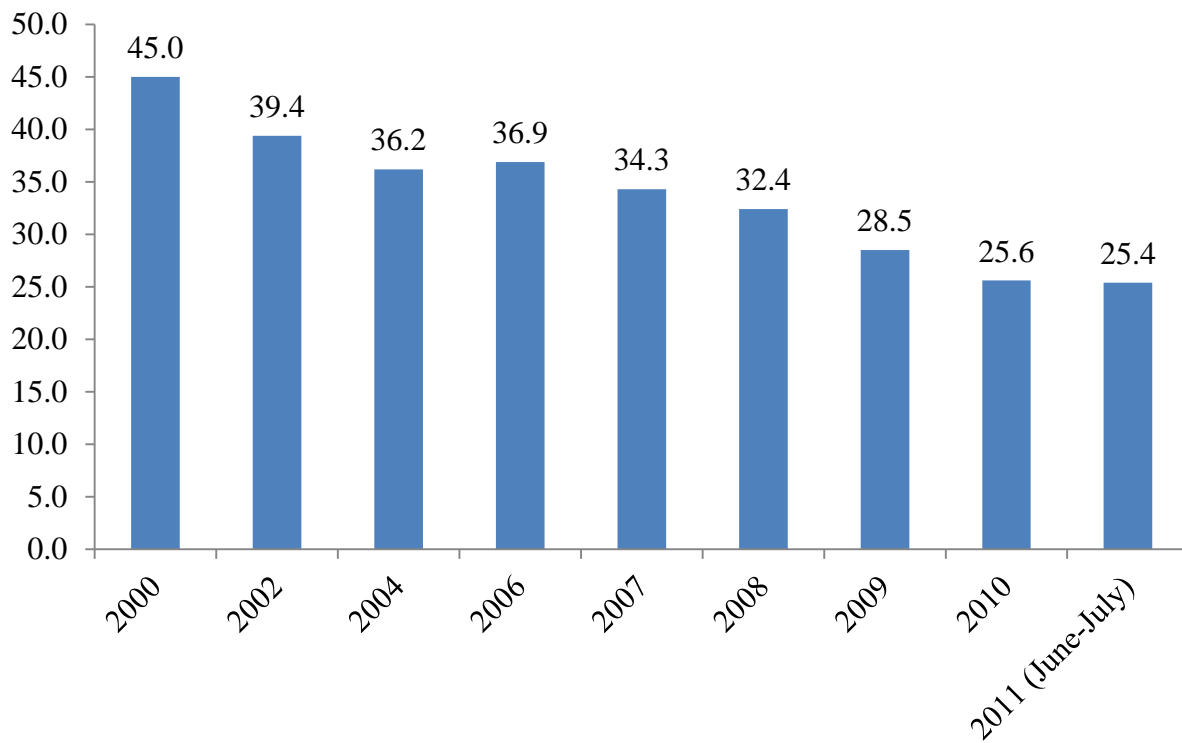
Teen Summer Employment Developments, 2000-2010 and the Projected Job Outlook for the Summer of 2011

The past decade also witnessed a major deterioration in the summer job market for the nation's teens, with historical lows reached in the past four summers. During the summer of 2000, near the height of the mid-1990s-2000 national economic boom, 45 of every 100 of the nation's teens (seasonally adjusted) held a job (see Chart 1). As a result of the national economic recession of 2001 and the largely jobless recovery of 2002-2003, the teen summer employment rate dropped considerably over the following four years, falling to 36.2% by 2004. Over the next two years, the teen summer employment rate basically held steady despite fairly strong gains in overall payroll employment across the nation that normally would have been expected to raise the teen employment/ population ratio. Over the next four summers, 2006-2010, the teen employment rate fell steadily and sharply from 36.9% in 2006 to 25.6% in 2010, another decline

¹ The employment rate measures the ratio of the number of employed in a given demographic group to the number of persons in that same group in the civilian non-institutional population. It is often referred to in the labor literature as the E/P ratio.

of 11.3 percentage points or 30% (Chart 1). The summers of 2007, 2008, 2009, and 2010 each set historical post-WWII low summer employment rates for teens by breaking the previous summer's record low. No age group of American working-age adults has seen such a dramatic decline in their overall employment rates over the past four years and especially over the 2000-2010 decade. The nation's teen summer employment rate plummeted from 45% in 2000 to 26% in 2010, a massive decline of 19 percentage points or over 40%, a major depression.

Chart 1:
Trends in the Summer Employment/Population Ratios of the Nation's Teens, 2000-2010
(Seasonally Adjusted)



How are the nation's teens likely to fare this summer in the job market? Given the extreme weakness of the teen employment situation during the first three months of this calendar year, the summer job outlook did not appear to be very bright in the absence of a massive new summer jobs intervention for teens and a substantial expansion in private sector labor demand. The federal government failed to provide any funding last summer leading to a sharp drop in the employment rate of low income teens. There was no serious consideration of any bill in the U.S. Congress to provide summer jobs for teens this summer.

Several years ago, the Center for Labor Market Studies developed a simple regression model based on national time series employment data back to 1969 for projecting the summer employment rate for the nation's teens. The projected summer employment rate was based on their observed employment behavior during the first four months of each calendar year.² For the years from 2004 to 2006, the predicted summer employment rates for teens were very close to their actual rates with no gap whatsoever between the actual and predicted rates of teen employment in the summer of 2005 and only a .6 percentage point gap for 2006 (see Table 1). In the four most recent summers (2007 to 2010), the model generated predictions that were slightly too optimistic, yielding projections of teen summer employment rates that exceeded the estimated actual rates of summer teen employment by 1.7 to 2.6 percentage points. The continued deterioration in overall national employment in the late spring of 2008 and 2009 was a likely key factor underlying our too optimistic employment projections for those two years. The 2009 teen employment projection was too high despite the existence of a small scale job creation program for 14-24 year olds that put approximately 320,000 16-19 year old youth to work for short 4-6 week intervals during the summer months.

Table 1:
Comparisons of the Predicted and Actual Teen Summer Employment Rates from
2005 to 2011 and the Predicted Teen Summer Employment Rate for 2011
(June-August Averages, in %, Seasonally Adjusted)

	(A)	(B)	(C)
Summer of Year	Predicted Rate	Actual Rate	Gap (Actual – Predicted)
2005	36.7%	36.7%	0
2006	37.6%	37.0%	-.6 percentage points
2007	36.5%	34.5%	-2.0 percentage points
2008	34.2%	32.5%	-1.7 percentage points
2009	31.1%	28.5%	-2.6 percentage points
2010	27.6%	25.6%	- 2.0 percentage points
2011	27.0%	25.4%	-1.6 percentage points

² 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.

The U.S. Bureau of Labor Statistics has released labor force, employment, and unemployment statistics for teens for the months of January-April 2011. During the first four months of this year (2011), the average monthly teen employment rate fell slightly below (.7 percentage points) that of the preceding calendar year (Table 2). This finding by itself would have been expected to yield a lower employment rate for teens during the summer of 2011 than the historically low employment rate for the nation's teens last summer (2010), thus marking a new record low. Our forecasting model based on the first four months of 2011 yielded a projected, seasonally adjusted employment rate of only 27.0% for teen employment this summer (Table 8).

The Actual 2011 Summer Job Market for Teens: Another New Employment Low

On Friday August 5, the U.S. Bureau of Labor Statistics released its monthly report on the Employment Situation for July 2011. The findings for teens revealed a July employment rate for teens (seasonally adjusted) of only 25.3% slightly below last July's rate of 25.5%. For the June-July period, the teen employment rate averaged only 25.4% marking it as the lowest ever summer teen employment rate in our post-World War Two history (Table 1). Teen employment rates (seasonally adjusted) in July varied from lows of 14% among Black youth and 18% among Hispanics to a high of 28% among White youth. Similar to last summer, preliminary evidence reveals very low employment rates for low income teens

This continued national disaster for teen employment has not received much substantive attention from the nation's economic policymakers in either political party. Only at the state and local level do we have formal policy actions to help put our nation's teens back to work. The loss in job opportunities for teens is of historic proportions and these local initiatives are too small to influence the national picture.

Table 2:
Comparisons of the Teen Employment Rates During the First Four Months of 2009, 2010, and 2011 (Seasonally Adjusted in %)

	(A)	(B)	(C)	(D)	(E)
Month	2009	2010	2011	Percentage Point Difference, 2010 to 2011	Percentage Point Difference, 2009 to 2011
January	30.4	25.9	25.7	-0.2	-4.7
February	30.3	26.3	25.5	-0.8	-4.8
March	29.7	26.5	25.8	-0.7	-3.9
April	29.8	26.7	25.3	-1.4	-4.5
4 Month Ave.	30.1	26.3	25.6	-.7	-4.5

The steep drop in the summer teen employment rate over the past decade has massively reduced the number of teens (16-19) who obtain any exposure to the world of work during the summer months and simultaneously narrowed the range of jobs by industry and occupation in which they are employed. To illustrate the potential magnitude of the lost work opportunities for teens this coming summer, we conducted the following simulation exercise: How many teens would have been employed in June-July of this summer if the teen E/P ratio (not seasonally adjusted) were the same as it was in the summer of 2000? Answers to this question are displayed in Table 3.

There were 16.768 million teenagers (16-19) in the civilian non-institutional population of the nation in the summer of this year.³ If the summer 2000 teen E/P ratio of 52.5% (not seasonally adjusted) prevailed this coming summer, there would have been 8.803 million teens at work during June-July, or 3.761 million more employed teens. The level of teen employment would have risen to 9.7 million if the summer 1989 teen E/P ratio had held true, or 4.7 million higher. The substantial drop in teen employment prospects has had a devastating effect on the nation's youngest teens (16-17), males, Blacks, low income youth, and inner city, minority males. Those youth who need work experience the most get it the least, another example of the upside down world of labor markets in the past decade. Public policymakers at the national level

³ The teen population peaked at 17.118 million in the fourth quarter of 2008. It is about 350,000 below that peak today.

have failed youth miserably in their lack of any sustained efforts to boost teen employment over the past decade.

Table 3:
Comparisons of the Number of Employed Teens in the Summer of 2011 if the Summer 2000 and Summer 2010 Teen Employment Rates Prevailed (Numbers Not Seasonally Adjusted)

Variable	Value
(A) Population of Teens in 2011	16.768 million
(B) Actual Level of Teen Employment in June-July 2011	5.042 million
(C) Summer Teen Employment in 2011 if Summer 2000 Teen E/P Rate Prevailed	8.803 million
(D) Difference in Summer Teen Employment (C-B)	3.761 million

The loss of employment opportunities over the decade has not been confined to just 16 to 19 year olds. Slightly older youth, those between the ages of 20 and 24, have also experienced sharp drops in their employment rates. Employment rates of 20-24 year old men declined 14 percentage points between June-July 2000 and June-July 2011 (Table 4). The employment rate of female 20-24 year olds fell less but still dropped by more than nine percentage points. If these employment rates had not changed over the decade, there would have been 1.5 million more 20-24 year old males employed in June-July and nearly a million more females. The combined loss for all 20-24 year olds was more than 2.5 million. If we add the employment losses of teens and young adults together, there was a combined 6.24 million missing employed 16-24 year olds in June-July 2011. This truly constitutes a national youth jobs crisis.

Table 4:
Estimating Lost 2011 Summer Employment Opportunities Among 20-24 Year Olds From Their
Reduced Employment Rates in Comparison to the Summer of 2000, All and By Gender

	(A)	(B)	(C)	(D)	(E)	(F)
Group	Population June-July 2011	Actual E/P June-July 2011	Actual Employed June-July 2011	E/P in June- July 2000	Employed in 2011 if 2000 E/P Ratio Prevailed	Difference (E-C)
Men	10,846,000	65.3%	7,082,000	79.5%	8,623,000	1,541,000
Women	10,581,000	58.1%	6,147,000	67.5%	7,142,000	995,000
Total	21,427,000		13,229,000		15,765,000	2,536,000