

# **The Depression in the Teen Labor Market in the U.S. and the Industrial Midwest in 2011**

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The proposed Pathways to Work Act would provide funding for summer jobs and year round jobs for low income teens and young adults (20-24) in the U.S. During the past decade, both the nation's and Midwest teens have encountered extraordinarily severe declines in their employment rates.

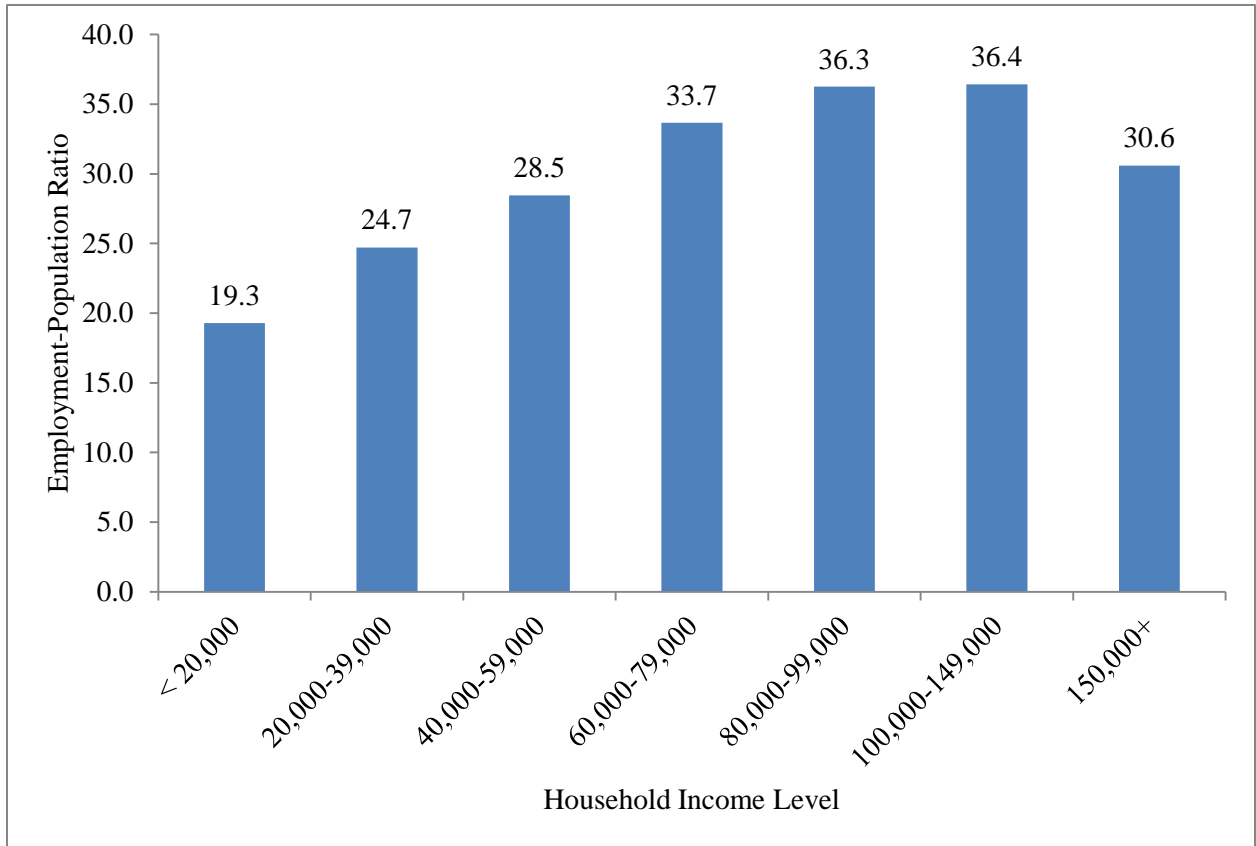
- Nationally, the teen employment rate fell from 45% in the 1999-2000 period to only 26% in 2011, a drop of 19 percentage points or 42%. This 26% teen employment rate was lowest in the nation's post-World War II history.
- Teen employment rates declined sharply by 57 to 27 percentage points in each of the five Midwest states with the entire region's teen employment rate falling by 21 percentage points to 31%, the lowest in the past 42 years for which such data exist.
- If Midwest teens had been able to maintain their 1999-2000 employment rates for the past year, there would have been another 600,000 teens at work in the Midwest in the past year. This is an enormous loss of teen work experience and work exposure.

Table 1:  
Comparisons of the Employment Rates of Midwest and U.S. Teens (16-19) in 1999/2000 and in  
2011 (in %)

	(A)	(B)	(C)
Geographic Area	1999/2000	2011	Percentage Point Change
Illinois	49.7	27.5	-22.2
Indiana	51.7	27.4	-24.3
Michigan	55.6	28.8	-26.8
Ohio	52.3	34.9	-17.4
Wisconsin	60.1	41.8	-18.3
Five Midwest States	53.2	31.2	-21.0
U.S.	45.4	26.4	-19.0

## Employment Rates of Midwest Teens By Household Income and Race-Ethnic Group

Chart 1:  
Employment-Population Ratios of 16-to-19 Years Old in Midwestern States by Household  
Income Level, 2010



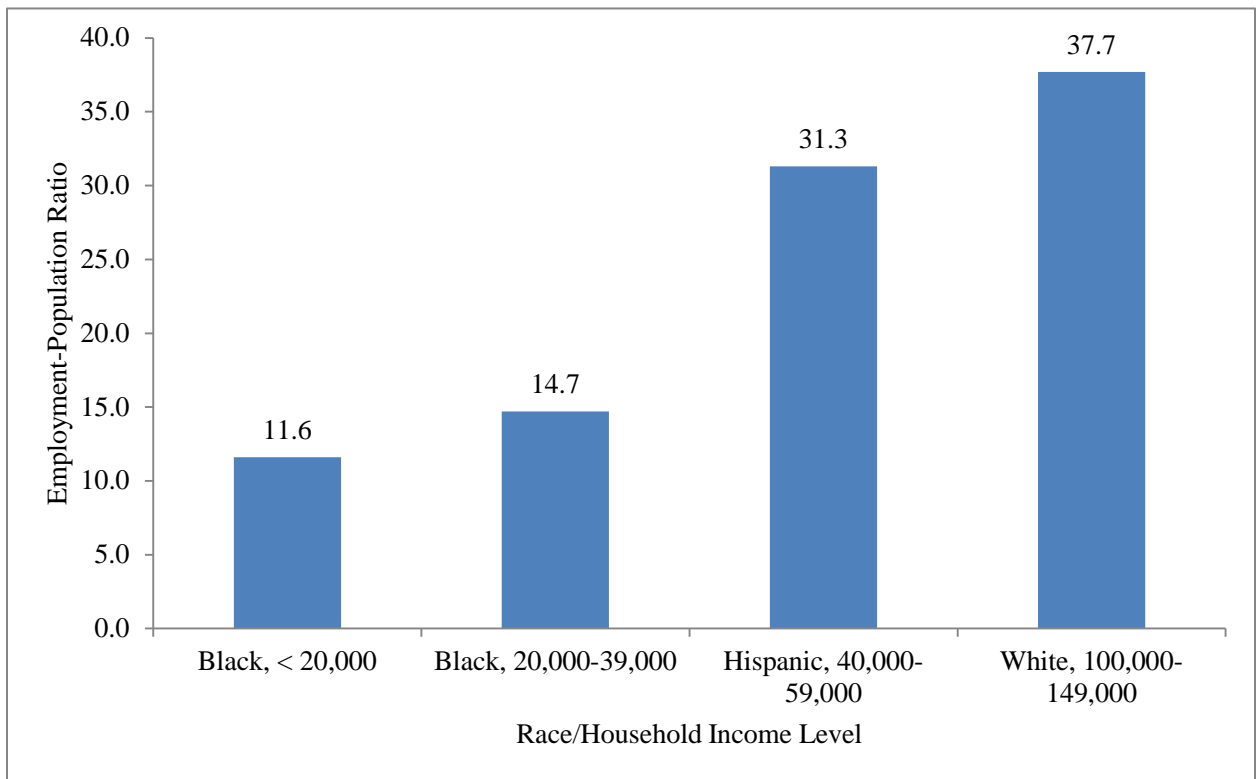
Source: 2010 American Community Survey (ACS), public use files, U.S. Census Bureau, author's tabulations.

### Key Findings:

- Links between teen employment rates and their household incomes were quite strong in each of the five Midwestern states. Employment rates of teens rose steadily and sharply with the level of household income in Midwestern states until incomes of \$100,000 or more were reached. Employment rates for teens in these five Midwestern states ranged from a low of 19 percent among teens living in a household with an annual income below \$20,000 to a high of 36 percent among teens living in a household with an annual income between \$80,000-\$150,000.

- Similar strong links between teen employment rates and their household incomes prevailed in the state of Illinois in 2010. Only 18 percent of teens residing in households with an income under \$20,000 were employed in 2010 versus 26% of those in low to middle income households and one-third of those in households with incomes between \$80,000 and \$150,000.

Chart 2:  
Employment-Population Ratio of 16-to-19 Years Old in Midwestern States by Race-Ethnic Groups and Household Income Level, 2010

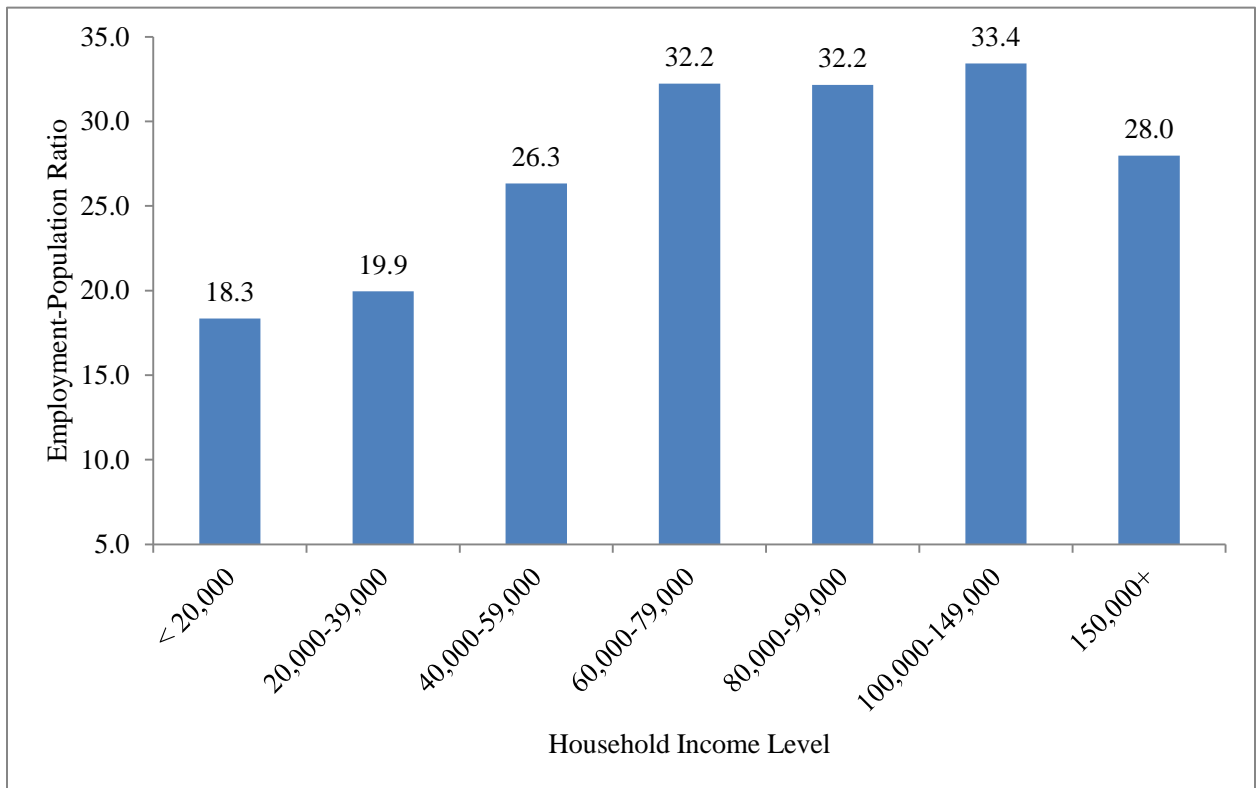


Source: 2010 American Community Survey (ACS), public use files, U.S. Census Bureau, author's tabulations.

**Key Findings:**

- Employment rates of teens in Midwestern states also varied widely by race and household income level in 2010. Teens living in low income households fared the worst; particularly for Black and Hispanic youth. Only 12 out of 100 Black teens living in low income households (<\$20,000) were employed in 2010. Black teens living in a household with an income between \$20,000 and \$39,999 had an employment rate of 15%. At the other extreme, slightly more than 31% of Hispanic teens living in a household with an annual household income between \$40,000 and \$60,000 were employed in 2010. At the top of the distribution, nearly 38% of White teens living in a household with an annual household income between \$100,000 and \$140,000 were employed in 2010. This last employment rate was more than three times as high as that of low income Black youth.

**Chart 3:**  
**Employment-Population Ratio of 16-to-19 Years Old in Illinois by Household Income Level,**  
**2010**



**Source:** 2010 American Community Survey (ACS), public use files, U.S. Census Bureau, author's tabulations.

**Employment Rates of Midwest Teens By School Enrollment/ Educational Attainment and Changes in Employment Rates Over Time**

- As one would expect, the employment rates of teens vary widely by their school enrollment status and educational attainment. In the Table below, the employment rates of teens in each of the five Midwest states and the nation in 2011 are displayed for four school enrollment status/ educational attainment groups. Across the nation, employment rates range from a low of 16% for high school students to 29% for high school dropouts, to 36% for college students, and to a high of 54% for non-enrolled high school graduates.
- A similar pattern of employment rates prevailed for teens in the five industrial Midwestern states. Their employment rates were somewhat above the national average for each educational attainment group. Employment rates ranged from 20% for high school students to 31% for dropouts and to a high of 61% for high school graduates not enrolled in college. Across the five individual states, Wisconsin teens had the highest employment rates in each educational group. While Michigan teens were typically below the Midwest average.

Table 2:  
Employment/ Population Ratios of 16-19 Year Olds By Educational Attainment in the Five Midwestern States and the U.S., January-November 2011

	H.S. Students	H.S. Dropouts	College Students	Non-Enrolled H.S. Grad	Total
Illinois	15.9	28.8	37.5	61.4	27.5
Indiana	15.6	35.1	46.3	58.4	27.4
Michigan	16.6	27.3	44.3	58.2	28.8
Ohio	25.0	30.9	48.7	60.8	34.9
Wisconsin	33.0	37.3	50.0	69.5	41.8
Five Mid-West States	20.2	30.7	44.4	61.2	31.2
U.S.	16.0	29.3	35.5	53.9	26.4

- Over the past four years (2007-2011), the employment/ population ratios of the nation’s teens and those in the five Midwest states combined in each of the four educational

attainment groups fell substantially. The employment rate of high school students fell from 25% to 16%, a decline of 9 percentage points or 36%. High school dropouts and high school graduates both had 11 percentage point declines in their employment rates. However, high school graduates maintained a nearly 25 percentage point advantage over the employment rate of high school dropouts.

Table 3:  
Trends in the Employment/ Population Ratios of 16-19 Year Olds in the U.S. By Educational Attainment, 2007-2011

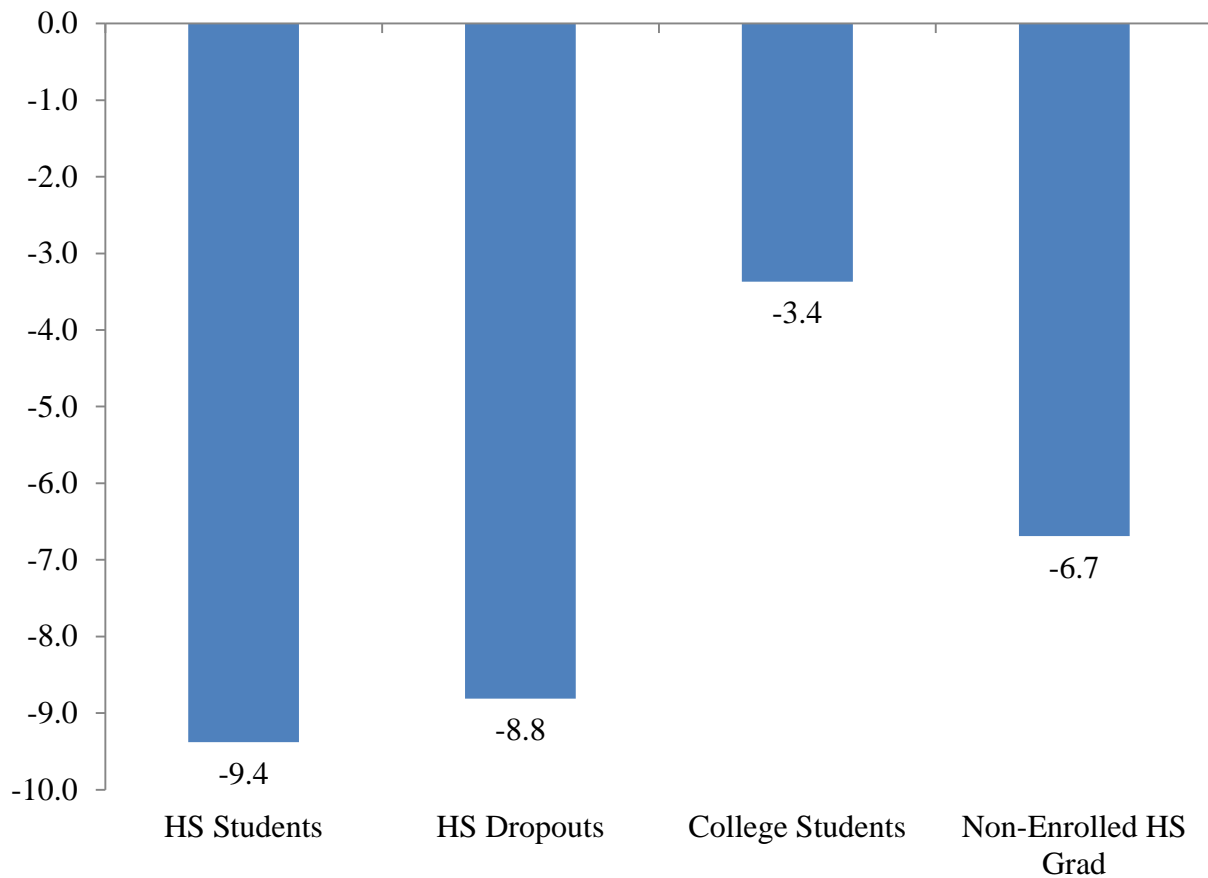
Educational Attainment	2007	2011	Absolute Change	Percent Change
H.S. Students	25.1	16.0	-9.1	-36.4%
H.S. Dropouts	40.5	29.3	-11.3	-27.8%
College Students	42.7	35.5	-7.2	-16.8%
Non-Enrolled H.S. Graduate	64.9	53.9	-11.0	-16.9%
Total	35.7	26.4	-9.3	-26.1%

- In the Midwest, similar trends prevailed. Every educational group experienced a decline in their employment rate with high school students faring the worst with a 9 percentage point or one-third decline in their employment rate.
- High school graduates were twice as likely as high school dropouts to be employed (61% vs. 31%).

Table 4:  
Trends in the Employment/ Population Ratios of 16-19 Year Olds in the Five Industrial Midwestern States By Educational Attainment, 2007-2011

Educational Attainment	2007	2011	Absolute Change	Percent Change
H.S. Students	29.5	20.2	-9.4	-31.8%
H.S. Dropouts	39.5	30.7	-8.8	-22.3%
College Students	47.8	44.4	-3.4	-7.1%
Non-Enrolled H.S. Graduate	67.9	61.2	-6.7	-9.9%
Total	39.2	31.2	-8.0	-20.4%

Chart 4:  
Percentage Point Changes in the Employment/ Population Ratios of 16-19 Year Olds By  
Educational Attainment, Five Industrial Midwest States, 2007-2011



- Viewed over the entire decade, the losses in employment opportunities for Midwestern teens over the 2000-2011 period were quite substantial. In a simulation, we estimated the number of additional Midwestern teens that would have been employed in each educational group in 2011 if they had maintained their employment rates in the 1999-2000 period. The number of teens that would have been employed under this alternative scenario was 1.345 million versus the actual employed level of only 811,000, a difference of more than half a million additional working teens. The biggest gains would have taken place among high school students (+358,000), followed by a near doubling of employment among young dropouts.

Table 5:  
Trends in the Employment/ Population Ratios of 16-19 Year Olds in the Five Industrial  
Midwestern States By Educational Attainment, 2007-2011

Educational Attainment	Actual 2011	Hypothetical 2011	Gain in Employment (B-A)
H.S. Students	298,400	656,700	358,300
College Students	220,000	268,000	48,000
High School Dropouts	88,300	158,400	70,100
Non-Enrolled H.S. Graduate	204,700	261,600	56,900
All	811,400	1,344,600	533,200

**The Labor Underutilization Rates of the 16 and Older Midwestern Population, 2000-2011**

The Pathways Back to Work Act would provide monies to create jobs and training opportunities for low income adults. During the past few years, the labor underutilization problems of U.S. adults have increased by leaps and bounds, with the less educated and low income adults experiencing the highest incidence of such problems that include unemployment, underemployment (working part-time but desiring full-time work), and hidden unemployment (wanting a job but no longer looking).

Table 6:

Trends in the Labor Force Underutilization Rates of 16 Years and Older in Midwestern States and the U.S., 2000, 2007, and 2011\*\* (Annual Averages)

Area	2000	2007	2011	Absolute Change, 2007-20100	Absolute Change, 2000-20100
Illinois	9.2	10.2	18.6	+8.4	+9.4
Indiana	7.2	9.1	16.9	+7.8	+9.7
Michigan	7.8	14.4	21.3	+6.9	+13.5
Ohio	8.5	11.3	16.4	+5.1	+7.9
Wisconsin	8.0	9.6	15.7	+6.1	+7.7
Total of Above States	8.3	11.1	18.0	+6.9	+9.7
U.S.	8.8	10.0	17.8	+7.8	+9.0

Source: Monthly CPS, public use files, U.S. Census Bureau for U.S. Bureau of Labor Statistics, tabulations by authors.

Note: 2011 estimates are January through November 2011 averages.

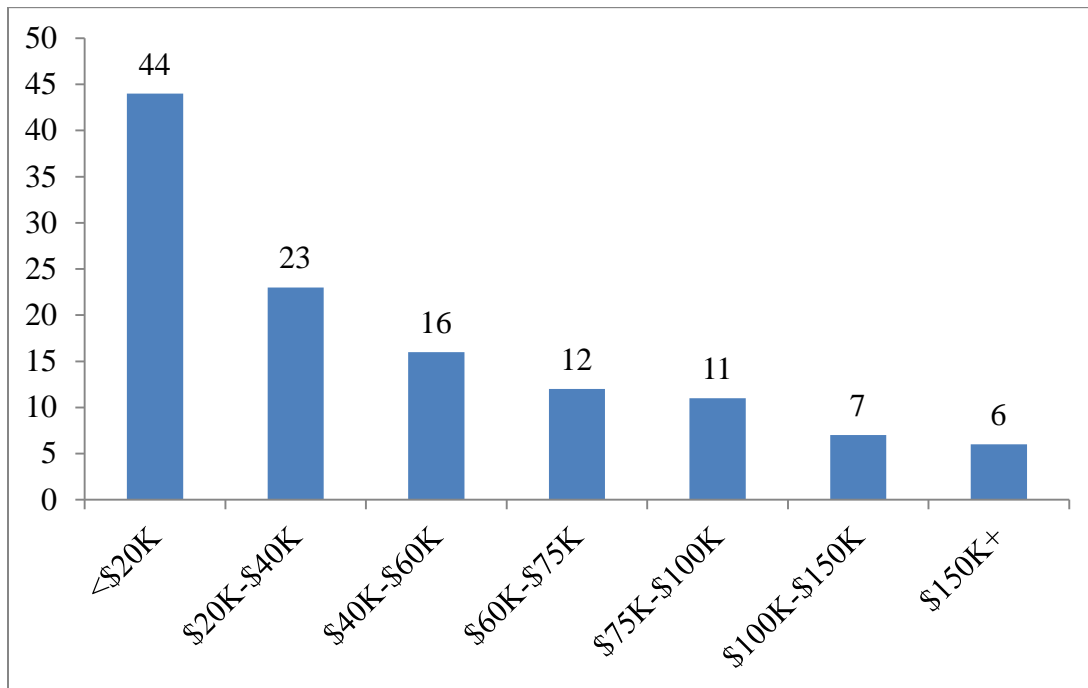
**Key Findings**

- Labor force underutilization problems<sup>1</sup> of workers (16+) increased sharply in each of the Midwestern states over the 2000-2011 period. The major increase in labor force labor force underutilization problems took place during and after the Great Recession of 2007-2009. The absolute size of the increase in labor force underutilization rate across the five Midwestern states were in the range of 7 to 13 percentage points. Michigan experienced the highest labor force underutilization rate at 21% followed by Illinois at nearly 19% and Indiana at 17%.
- The Midwest region's labor force underutilization rate increased from 8 percent in 2000 to 11 percent in 2007 to 18 percent in 2011, an increase of nearly 10 percentage points over the 2000-2011 period.

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<sup>1</sup> The labor market problems of workers often go well beyond those of open unemployment. Other problems include underemployment and hidden unemployment. The labor force underutilization pool is the sum of unemployed, under-employed, and members of the labor force reserve. In 2011, there were 2.2 million unemployed, 1.2 million underemployed, and .8 million labor force reserve across the five Midwestern states. The numbers of workers with these three problems combined (labor underutilized pool) was 4.3 million, yielding a labor force underutilization rate of 18 percent.

Chart 5:  
Labor Underutilization Rates of Midwest Workers By Household Income in 2011 (in %)



- Labor underutilization rates of Midwestern adults (16+) varied widely across workers in different household income groups. The lower the household income, the greater the labor underutilization rate. Workers in the lowest annual income group (under \$20,000) faced an underutilization rate of 44% versus 23% for those in the second lowest income group, only 11% for those with incomes between \$75,000 and \$100,000 and a low of 6% for workers in households with incomes greater than \$150,000. The lowest income workers faced a 7 times higher underutilization rate than the most affluent group.