Vanishing Work Among U.S. Teens, 2000-10: What A Difference a Decade Makes! Four Million Missing Workers in June 2010

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With due respect to Dinah Washington's "What A Difference A Day Makes!"

Introduction

U.S. labor markets have been buffeted by a number of important structural changes over the past decade, but the dramatic shifts in the age structure of employment rates clearly stand out. Since 2000, the labor market fate of the nation's teens (16-19) and young adults without four college degrees has deteriorated considerably along many dimensions, including sharply declining employment rates, or employment/population ratios.[1]In July 2010, the U.S. Bureau of Labor Statistics released its report on the Employment Situation in the month of June. Among the findings appearing in that monthly report was the estimated employment rate of the nation's teens in the month of June.[2] During June, only 28.6% of the nation's teens were estimated to be employed. This represented the first time in the entire post-World War II era that the June employment rate of the nation's teens had fallen below 30%.[3] In June 2007, just three years earlier, the teen employment rate had fallen to 39.6%, the first time that the teen jobholding rate had fallen below 40% in the month of June since the end of World War II.

Over the past decade, 2000-2010, the teen employment rate has declined substantially and with modest exceptions (2004-2006) nearly continuously. The month of June is typically regarded as the first month of summer, and the teen labor force would normally expand substantially as the nation's high schools and colleges let their students out for the summer. The ability of the nation's teens to obtain some employment during the summer, especially younger, low income, and minority teens, has deteriorated considerably especially since the summer of 2006. Despite the dreadful labor market plight of so many low income teens, the U.S. Congress recently failed to pass legislation that would have provided up to $1 billion in monies to state and local workforce development agencies across the country to create subsidized jobs for youth during the summer. Given continued cutbacks in the hiring of teens by the nation's employers and the absence of any jobs creation stimulus from the federal government, the nation's teens will quite likely end the summer with a new record low employment rate.

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[1] For a detailed review of the deteriorating conditions in teen labor markets in the U.S.,
See: (i) Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, and Sheila Palma, Dire Straits in the Nation's Teen Labor Market: The Outlook for the Summer 2010 Teen Job Market and the Case for A Comprehensive Youth Jobs Creation Strategy, Report Prepared for The Charles S. Mott Foundation, Flint, Michigan, April 2010.

[2] See: U.S. Bureau of Labor Statistics, The Employment Situation: June 2010, Washington, D.C., July 2010.

[3] The national CPS survey data for civilian employment rates begins with calendar year 1948.

This research paper is primarily focused on a description and analysis of the changing labor market fate of the nation's teens in the early summer month of June over the past 10 years. Changes in teen employment rates will be presented for an array of demographic and family income groups, and the employment rates of teens over the decade will be compared to those of older adults to illustrate the massive shift in the age structure of the nation's employment rates over the decade.[4]

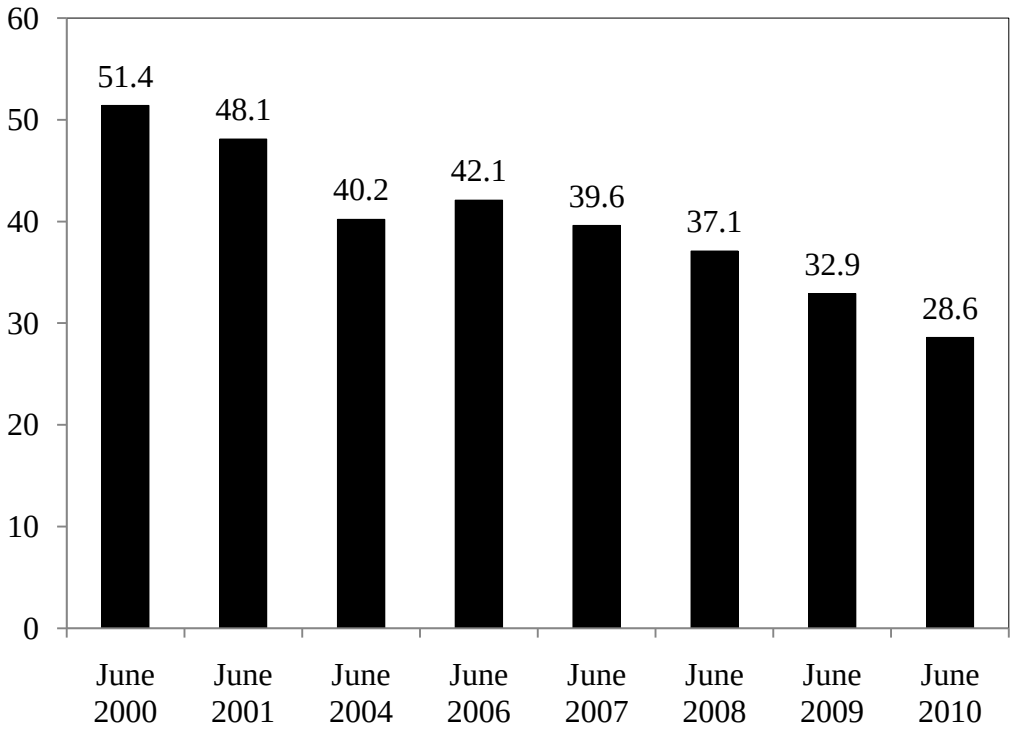
Trends in Teen Employment Rates, June 2000 – June 2010

Time trends in teen employment rates in the month of June (not seasonally adjusted) over the 2000-2010 period are displayed in Chart 1.[5] In June 2000, near the height of the cyclical boom of the 1990s, a slight majority (51.4%) of the nation's teens were employed. This teen E/P ratio was the highest since June 1989. During the national recession of 2001 and the largely jobless recovery of 2002-2003, the teen employment rate fell steadily and steeply. In June 2004, only 40 of every 100 teens were employed, a drop of 11 percentage points or nearly 22% over this four year period.

[4] For an earlier look at the sharply changing age patterns of employment in the U.S.,
See: Andrew Sum, Ishwar Khatiwada, and Sheila Palma, "The Age Twist in Employment Rates in the U.S., 2000-2004," Challenge, July-August 2005.

[5] The teen employment rate is often referred to in the labor economics literature as the employment/population ratio (E/P). Its value is determined by taking the ratio of the number of employed teens to the civilian non-institutional population. The latter population measure excludes persons serving in the nation's armed forces or residing in institutions such as jails, juvenile homes, prisons, mental hospitals.

Chart 1:
Trends in the E/P Ratios of Teens (16-19) in the U.S. from
June 2000 to June 2010, Selected Years (Not Seasonally Adjusted, in %)



Over the following two years of national job growth, the June teen employment rate increased modestly, rising to 42% in June 2006. Over the next four years, the teen employment rate in the month of June would drop steadily and steeply. The teen employment rate fell to 39.6% in June 2007 before the national recession took hold, then declined to three new record lows over the following three years, dropping to 37.1% by June 2008, and to only 28.6% in June 2010. At no other time in post-World War II history had the June teen employment rate fallen below 30%. The 28.6% employment rate of June 2010 was nearly 23 percentage points or 44% below its value in June 2000.

To place this steep employment rate loss in perspective, consider the following scenario. In June 2010, there were approximately 17 million teens in the nation's civilian non-institutional population. If the 51.4% E/P ratio of June 2000 had prevailed in June 2010 there would have been nearly 8.74 million teens at work during that month rather than the 4.86 million teens estimated to be employed during that month, a difference of nearly 3.9 million teens. In other words, nearly 4 million fewer teens worked in June 2010 than would have done so if the June 2000 teen E/P rate had prevailed during that month.

The nation's teens fared far worse than any other age group over the past decade. They were not alone in encountering steep job losses but the relative size of job losses declined with age (Table 1). Among young adults (20-24 years old), the E/P ratio in June 2010 was 12 percentage points or 17% below its value in June 2000. This age group fared second worse, a not surprising finding given strong path dependency in youth employment and the favorable employability effects of cumulative work experience. The more teens work in their teenaged years, the more they will work in their early to mid 20s. Reduced teen work experience will lower their employment as young adults.

Table 1:
Trends in the E/P Ratios of Teens and Other Age Groups in
The U.S., June 2000 to June 2010 (in %, not Seasonally Adjusted)

	(A)	(B)	(C)	(D)
Age Group	June 2000	June 2010	Percentage Point Change	Percent Change
16 – 19	51.4	28.6	-22.8	-44%
20 – 24	74.2	62.2	-12.0	-17%
25 – 54	81.4	75.1	-6.3	-8%
55 – 64	57.6	60.5	+2.9	+5%
65 – 69	23.1	28.8	+5.7	+25%
70 – 74	12.8	17.0	+4.2	+33%

Source: U.S. Bureau of Labor Statistics, "CPS Labor Force Statistics", web site, BLS.gov, tabulations by authors.

Among the nation's 25-54 year olds, the E/P ratio in June 2010 was 6.3 percentage points or 8% below its value in 2000. For all age groups over 55, the employment rate was higher in June 2010 than it was in June 2000. For 55-64 year olds, it was about 3 percentage points or 5% higher while for 65-69 and 70-74 year olds it was 25% and 33% higher, respectively. To illustrate the dramatic size of this age shift in E/P ratios between teens and older adults (65-69 years old, the equivalent of the grandfathers and grandmothers of these teens), consider the following. In June 2000, teens in the U.S. were more than twice as likely to have a job as those adults 65-69 years old (51% vs. 23%). By June 2010, these older adults were modestly more likely to be working than teens (28.8% vs. 28.6%), an age reversal in employment outcomes never before seen in American history.

Trends in Teen Employment Rates Across Gender, Age, and Race-Ethnic Groups, 2000-2010

The sharp declines in teen employment rates over the past decade were widespread across gender, age, and race-ethnic groups although the relative degree of decline was somewhat higher for men, the youngest teens (16-17 year olds), and Blacks than for each of their respective counterparts. Male teens witnessed a 25 percentage point decline in their E/P ratio while their female counterparts experienced a 21 percentage point decline. Male teens were basically thrown out of jobs in key goods producing industries (construction, manufacturing) and transportation industries, and they faced fierce competition for jobs from young adult males (20-24 years old), older males (60-74), and immigrants, especially less educated, undocumented immigrants.

Table 2:
Trends in the June E/P Ratios of Teens (16-19) by Gender,
Age Group, and Race-Ethnic Group, 2000, 2006, 2010

	(A)	(B)	(C)	(D)	(E)
Group	2000	2006	2010	Absolute Change, 2000 – 2010	Percent Change
All	51.4	42.1	28.6	-22.8	-44%
Men	52.4	42.3	27.7	-24.7	-47%
Women	50.5	42.0	29.5	-21.0	-41%
16-17	40.6	31.8	17.5	-23.1	-57%
18-19	62.3	54.0	40.8	-21.5	-35%
20-24	74.2	70.3	62.2	-12.0	-17%
Asian	35.2	27.4	18.9	-16.3	-46%
Black	31.6	27.0	15.2	-16.4	-52%
Hispanic	40.7	33.5	21.0	-19.7	-48%
White	56.3	46.3	32.1	-24.2	-43%

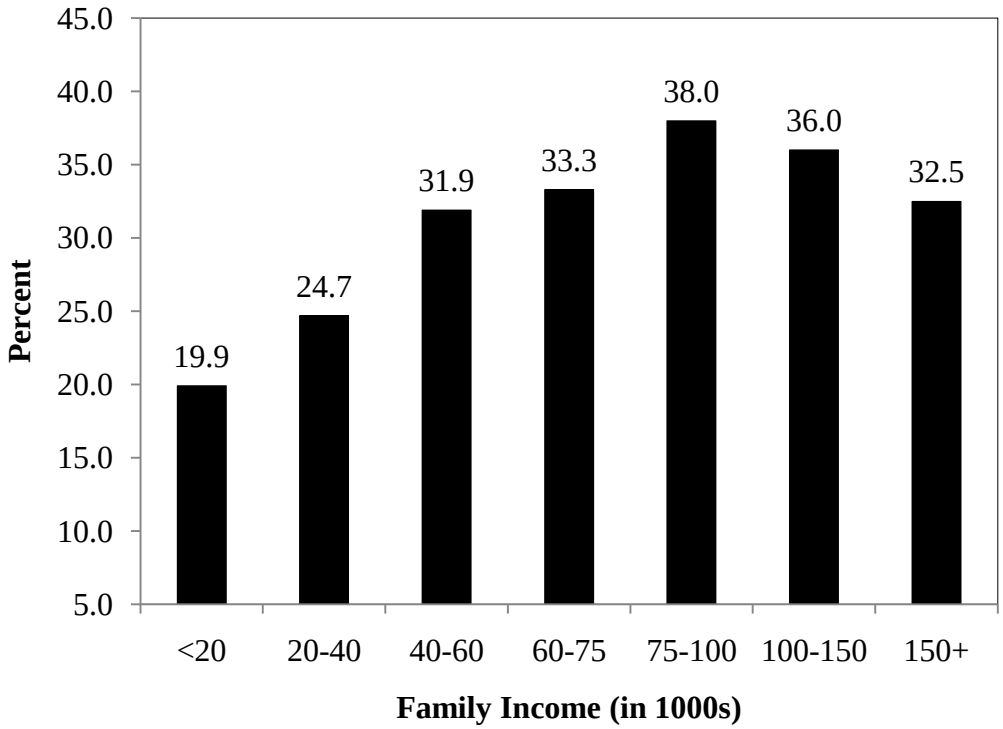
The relative extent of the job losses varied with the ages of teens. Those 16-17 year olds saw their employment rate fall by 23 percentage points or 57% while their slightly older counterparts (18-19) experienced a 35% decline. In comparison, 20-24 year olds encountered a much smaller 17% decline in their employment rate over the decade. Teens in each of our four race-ethnic groups saw very deep declines in their employment rates over the decade, ranging from 16 to 24 percentage points. In relative terms, the employment decades were modestly

higher for Black (-52%) and Hispanic (-48%) teens than for White teens (-43%). In June 2010, only 15 of every 100 Black teens held any type of job versus 32 of every 100 White teens, a relative difference of more than two to one.

Teen Employment Rates Across Family Income Groups in June 2010

Over the past decades, the employment rates of teens have tended to vary fairly considerably across family income groups, with low income youth typically facing the lowest employment rates. The June 2010 employment rates of the nation's teens in seven family income groups ranging from under $20,000 to $150,000 or more are displayed in Chart 2. Only 1 of 5 teens in the lowest income group were employed in June 2010. The E/P ratios of these teens tended to increase steadily with their family's income until it peaked at 38% for those residing in families with upper middle incomes in the $75-100 thousand range. A small drop in the E/P ratio took hold for youth living in upper income families ($100-150,000). Still, these upper income youth were about twice as likely to be working as their lowest income counterparts. These low income teens have been the primary target group for most federal summer youth job creation programs.

Chart 2:
June 2010 E/P Ratios of Teens (16-19) by Family Income
(in %, not Seasonally Adjusted)



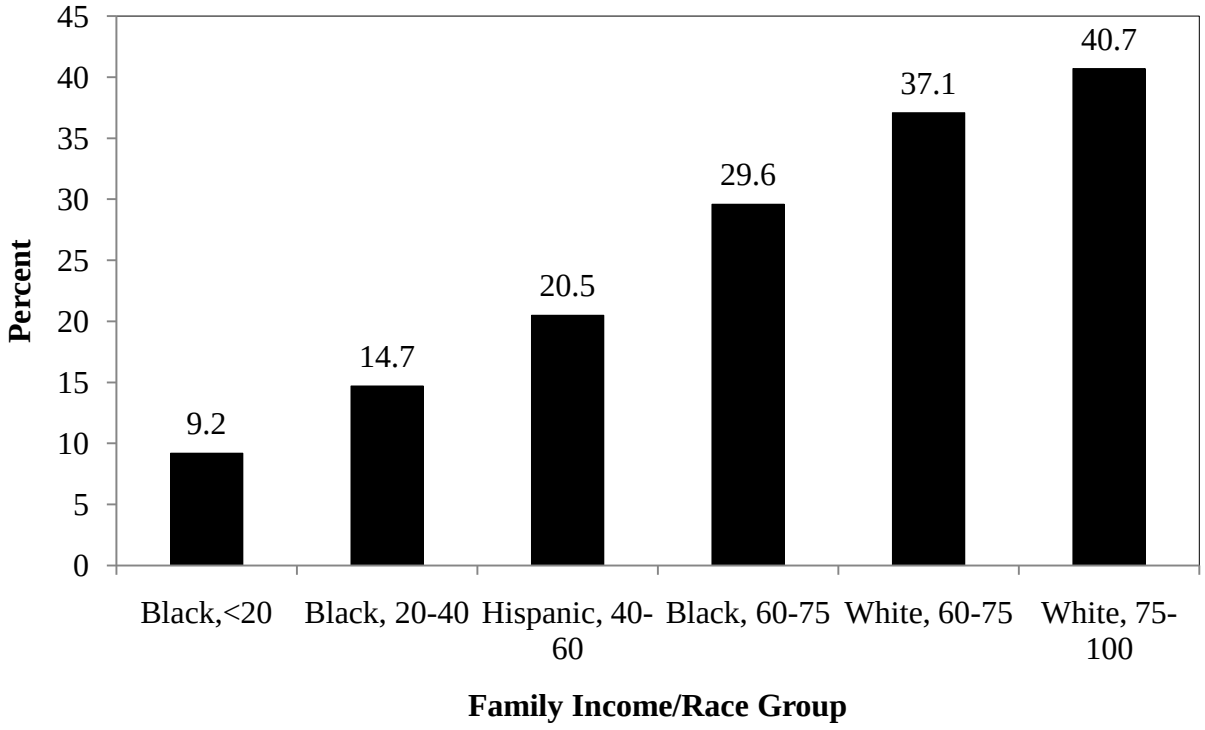
The employment rates of the nation's teens tended to be positively associated with family incomes for Blacks, Hispanics, and Whites (Table 3). The size of the gaps between the employment rates of affluent and low income teens were considerably larger for Blacks and Hispanics than they were for White, non-Hispanics. For example, the E/P ratios of Black and Hispanic teens living in families with incomes between $100 and $150,000 were 3.6 and 2.3 times higher, respectively, than each of their peers in low income families. Among White, non-Hispanics in these same two income groups, the relative E/P ratio of the top income group was only 1.25 times as high as that of their low income peers.

Table 3:
The E/P Ratios of Teens (16-19) by Family Income and Selected Race-Ethnic Groups, June 2010 (in %)

Family Income (in 1000s)	(A) Black	(B) Hispanic	(C) White
<20	9.2	15.4	30.3
20-40	14.7	20.5	33.8
40-60	23.2	24.9	37.4
60-75	29.6	24.1	37.2
75-100	25.0	33.6	40.7
100-150	32.8	35.5	37.8
150+	4.6	19.7	35.1

Taking both family income and race-ethnicity into account yields very large differences in teen employment rates in June 2010 (Chart 3). At the very bottom of this distribution are the 9% employment rate for low income Black youth and the 15% rate for low income Hispanics and lower middle income Blacks. In the middle of the distribution are the 30% employment rate for middle income Black youth ($60-75,000) and the 30% rate for low income Whites. At the top of the distribution is the near 41% employment rate for White teens in the $75-100,000 income range. The employment rate for upper middle income White teens was four times as high as that for low income Black teens, (401% vs. 9%), an extremely large gap in employment prospects.

Chart 3:
The E/P Ratios of Teens (16-19) in Selected Family Income/ Race-Ethnic Groups, June 2010 (in %)



Thinking About the Future Consequences of the Lost Teen Employment Opportunities

While the above findings were focused on the changing early summer job experiences of teens, the labor market difficulties of teens are not confined to the summer months. They are year-round problems that exist for youth in-school and those out-of-school and for all major demographic groups. Since many teens employed during the school year continue their employment in the summer, the more limited employment rates in the school year reduce summer job prospects. There are important longer-term as well as short-term employment and earnings losses from reduced teen employment today.[6] First, teen employment is strongly path dependent. The more a teen works this year, the more he/she will work next year.[7] Less work

[6] For a more detailed assessment of these adverse consequences of lost teen work experience,
See: (i) Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, 2000; (ii) Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, The Nation's Youth Labor Market 2000-2010,…

[7] See: Andrew Sum, Ishwar Khatiwada, and Robert Taggart, Path Dependency in Teen Employment and Its Implications for Youth Workforce Development Policy, Paper Presented to U.S. Conference of Mayors, Washington, D.C., 2009.

experience this year will yield less employment in the following year. Second, cumulative work experience in the teen years has significant, positive impacts on employment, hourly wages, and earnings of young adults in their early to mid 20s. Third, teens who work in high school, especially males, are less likely to drop out of high school before graduation and those who participated in work-based learning programs are more likely to see the connection between school, work and their career goals. Fourth, jobless teens in low income families and those who live in local labor markets with fewer legitimate job opportunities for teens are most likely to engage in delinquent behavior and become involved with the criminal justice system.[8] Fifth, local areas with fewer job opportunities for female teens have been found to be characterized by higher rates of teen pregnancy, the overwhelming share of whose births take place out-of-wedlock.[9] The long-term consequences of this enormous rise in youth joblessness can be quite substantial for the youth themselves, their families, communities, and the nation as a whole.

[8] See: Jonathan Gruber (Editor), Risky Behavior Among Youth: An Economic Analysis, University of Chicago Press, Chicago, 2001.

[9] Early involvement with the criminal justice system has long term negative impacts on employability, earnings and family formation.
See: Bruce Western, Punishment and Inequality in America, Russell Sage Foundation, New York, 2006.