

**The Summer Job Market for the Nation's Teenagers from
2000-2002 and the Employment Outlook for the Summer of
2003: The Case for A Federally-Funded Summer Jobs
Stimulus for Youth**

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Introduction

The summer months typically have provided substantial opportunities for the nation's teenagers to obtain paid employment and acquire early work experience. As the nation's high schools and colleges let out large numbers of students for summer vacation, close to two million additional teenagers (16-19) typically enter the labor market in search of summer employment. Their success in obtaining jobs during the summer months is dependent not only upon the intensity of their own job search but also upon the overall state of the nation's labor markets and the willingness of the federal government and state/local governments to provide public funds for creating subsidized summer jobs for teens, especially for those from low income families. The higher the overall rate of job creation in the economy and the lower the aggregate unemployment rate, the greater is the volume of summer job opportunities made available to teens.

During the past two summers, the employment rates of the nation's teens have fallen sharply from their 2000 levels as a consequence of the national economic recession of 2001 and the so-called jobless recovery of 2002.¹ The June-August 2002 employment rate of the nation's teens (16-19 years old) was the lowest in the past 35 years. One has to go back to the summer of 1965 to find a lower teen employment rate.² As the nation's labor markets continue to struggle in the face of anemic real output growth and declining wage and salary job opportunities, how will teenagers likely fare this summer in finding employment?³

This research paper is designed to provide an answer to the above key question on summer 2003 job prospects for the nation's teens overall and for key demographic/socioeconomic subgroups of the teenage population. The analysis will begin with a brief

¹ For an overview of the impacts of the 2001 economic recession and the jobless recovery of 2002 on the labor market fortunes of the nation's 16-24 year olds,

See: (i) Andrew M. Sum, Garth Mangum, and Robert Taggart, The Young, the Restless, and the Jobless: The Case for a National Jobs Stimulus Program Targeted on America's Young Adults, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, June 2002; (ii) Andrew M. Sum, Nathan Pond, Mykhaylo Trub'skyy, Sheila Palma, et.al., The Impacts of the 2001 Recession and Jobless Recovery of 2002 on the Labor Market for the Nation's Young Adults, Prepared for the National League of Cities, Institute on Youth, Education, and Families, Washington, D.C., 2002.

² See: Andrew Sum and Neeta Fogg with Ishwar Khatiwada and Sheila Palma, The Summer 2002 Employment Situation Among America's Teens: The Worst Job Market for Teens in 37 Years, Report Prepared by the Center for Labor Market Studies of Northeastern University for the National League of Cities, Institute on Youth, Education, and Families, Washington, D.C., August 2002.

³ Between January and April of 2003, the number of wage and salary jobs in the nation's economy declined by 525,000.

overview of aggregate national labor market conditions over the past two years, highlighting changes in the number of wage and salary jobs and the overall unemployment rate. The impacts of these deteriorating labor market conditions on the summer job market for teens in recent years will be reviewed and compared to those for teens over the 1990s decade. Changes in the labor market for teens during the winter/early spring months from 2000 to 2003 will be described and their implications for the summer job market for teens in 2003 will be examined. The final two sections of the paper will examine variations in employment rates among key demographic and socioeconomic subgroups of teens during the summer of 2002, and their consequences for the summer job outlook for teens, especially economically disadvantaged youth, during the summer of 2003 will be assessed. The case for a national summer jobs stimulus program to boost teen employment prospects will be briefly made at the very end of the paper.

National Labor Market Developments Between 2000-2002 and their Impacts on the Youth Labor Market

In August of 2002, researchers within the Center for Labor Market Studies concluded that the weak job generating performance of the national economy during the first seven months of 2002 and the precarious short-term economic outlook would strongly increase the likelihood of teens facing a very limited demand for their labor throughout the Fall/Winter months of 2002-2003 and into the next summer.⁴ At the present time, that next summer is nearly here and the low rates of job growth and rising unemployment that has characterized the national economy since its downturn about two years ago continues to impede any substantial improvement in national labor market conditions, especially among the nation's youth. What is the outlook for the upcoming summer employment status of the nation's teens and young adults? Will this summer's teen employment rate show any improvement over last summer's 37 year low of 39.5 percent or will the employment rates of teens reach a historic new low point? To answer these questions one must first have an understanding of the current state of the economy, how labor markets have fared in the past two years, and how changes in overall national labor market conditions have influenced the job prospects of teens and young adults.

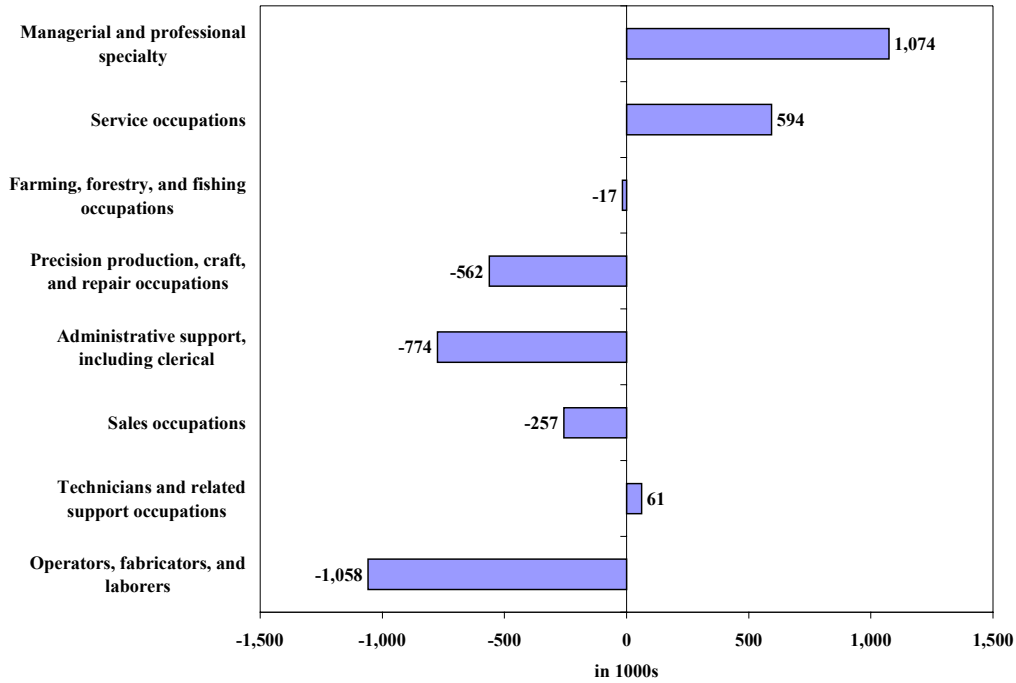
See: U.S. Bureau of Labor Statistics, The Employment Situation, Washington, D.C., April 2003, May 2003.

⁴ See: Andrew Sum and Neeta Fogg, The Summer 2002 Employment Situation Among America's Teens: The Worst Job Market in 37 Years, Paper Prepared for the National League of Cities, Institute on Youth, Education, and Families, Washington, D.C., August 2002.

Over the past 18 months, the national economy has experienced a comparatively slow recovery from the effects of the national economic recession that occurred during the first three quarters of calendar year 2001. By the end of 2001, the U.S. economy had lost 1.571 million wage and salary jobs relative to the peak job count in March 2001. The number of wage and salary jobs continued to decline during the first four months of 2002; however, by May 2002, jobs began to slowly come back but not consistently. Hence, the well known phrase, a “jobless recovery,” was used to describe this phenomenon. The second half of calendar year 2002 was characterized by sputtering wage and salary job growth, and, now, unfortunately, during the most recent three months (January-April 2003), there has been a steady decline in the number of wage and salary jobs.

Job opportunities for the nation’s teenagers tend to be substantially influenced by the overall state of labor market conditions. Teen employment prospects tend to improve during periods of strong job growth and declining unemployment, and they deteriorate at above average rates when labor market conditions weaken. Over the last two years, national labor market conditions have deteriorated considerably. In March 2001, the number of wage and salary jobs peaked at 132.5 million, and the nation’s seasonally adjusted unemployment rate was 4.2 per cent. Since then, the number of wage and salary jobs has declined by about 2 million to 130.4 million, and the nation’s unemployment rate has increased nearly two percentage points to 6 per cent in April 2003. Most of these job losses have been among blue-collar production and craft workers (with the exception of construction), as well as sales, and administrative support occupations (Chart 1). For example, during the 2000-2002 period, there were 1.058 million job losses among semi-skilled blue-collar workers and 970,000 among sales and administrative support occupations, while employment among professional and service workers increased

Chart 1:
Changes in Employment Levels by Major Occupational Group, U.S.: 2000-2002 (in 1000s)



The national labor market downturn has also been more concentrated among men and younger age groups than among women and older age groups. Between 2000 and 2002, the annual average employment level of men declined by 763 thousand, while the employment level of women declined only by 176 thousand (Chart 2). This absolute decline in the male employment level was four times as high as that of the female employment decline. Comparisons of the changes in the employment rates of different age subgroups over the same two year period indicate that the nation’s youth experienced the largest declines in their employment rates while the employment rate of older adults showed modest increases (Chart 3). During the 2000-2002 period, the employment rates of the nation’s 16-19 and 20-24 year old youth declined by 5.6 and 3.2 percentage points, respectively, while those of the nation’s older adults increased by 1.7 and .2 percentage points.

Chart 2:
Changes in the Total Employment Level of Men and Women in U.S., 2000-2002
 (Not Seasonally Adjusted, in 1000s)

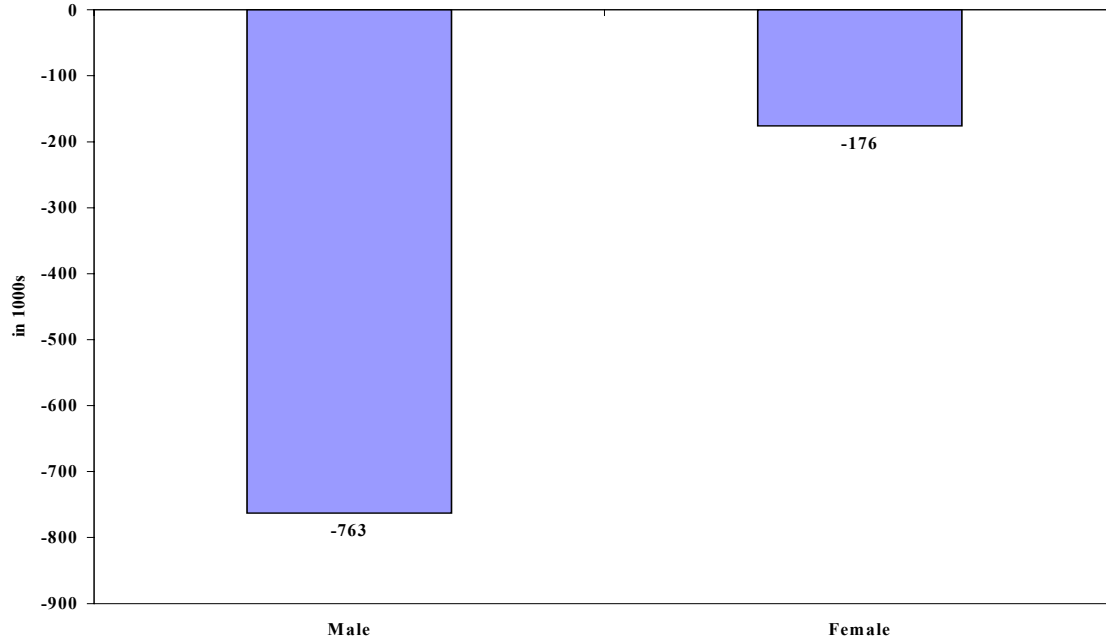
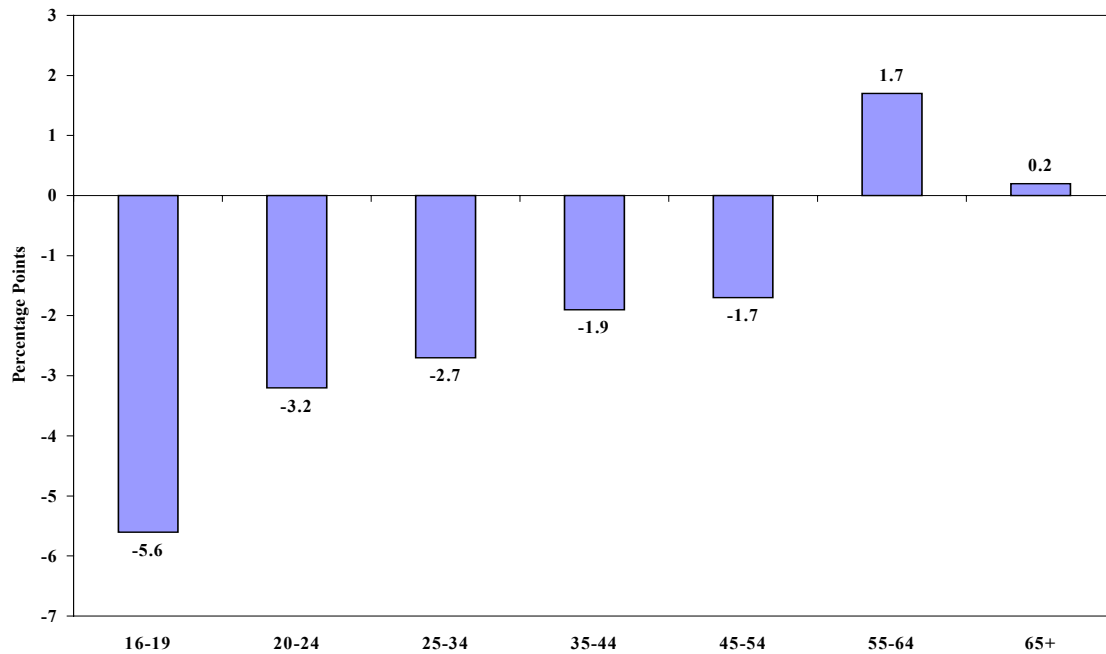


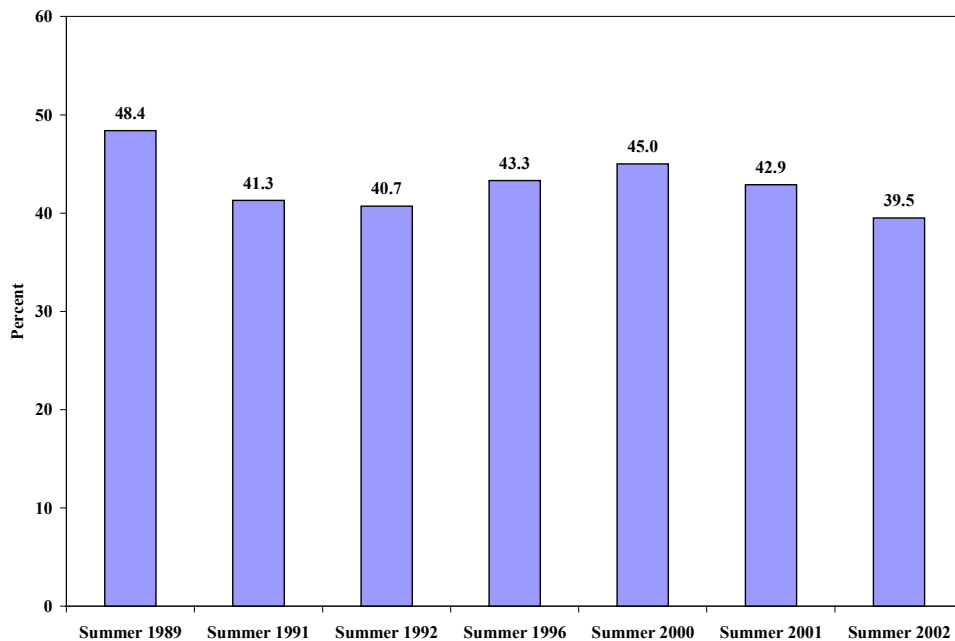
Chart 3:
Changes in the Employment Rates of Selected Age Groups of the Working Age Population in
the U.S., 2000-2002 Annual Averages (in Percentage Points)



Summer Employment Rates for Teens, 1989-2002

Summer employment opportunities for the nation's teens have been very cyclically sensitive over the past three decades.⁵ At the peak of the 1990s, labor market boom, slightly over 48 percent of the nation's teens were employed. During the recessionary years of the early 1990s, however, the summer employment rates of teens fell substantially, declining from slightly above 48 percent in the summer of 1989 to a low of slightly below 41% in the summer of 1992 even with the presence of a federally-funded summer jobs program. (Chart 4). As national labor market conditions improved from 1992 onward so did the teen summer employment rate. By the summer of 2000, it had increased 45 percent, but never recovered its peak of 48.4% in the summer of 1989. It should be noted, however, that the existence of a larger number of teens in the national population, a greater fraction of Black, Hispanic, and other minority youth, and a smaller federal summer jobs program all contributed to a lower E/P ratio in the summer of 2000 than in summer of 1989 despite a lower aggregate unemployment rate for the country.

Chart 4:
Trends in the Summer Employment/Population Ratios of the Nation's Teens,
Summer 1989 to Summer 2002
(Seasonally Adjusted in %)



Over the past two summers, the employment rate of the nation's teens plummeted considerably, falling to 39.5 percent during the summer of 2002. Last summer's teen

employment rate was the lowest experienced since the summer of 1965 when it was only 39.5%. Thus, the nation reached a new 37 year low for teen summer jobs during the past summer.

Trends in the Employment Rates of the Nation's Teens, High School Students, and Out-of-School Youth, 2000 – 2003

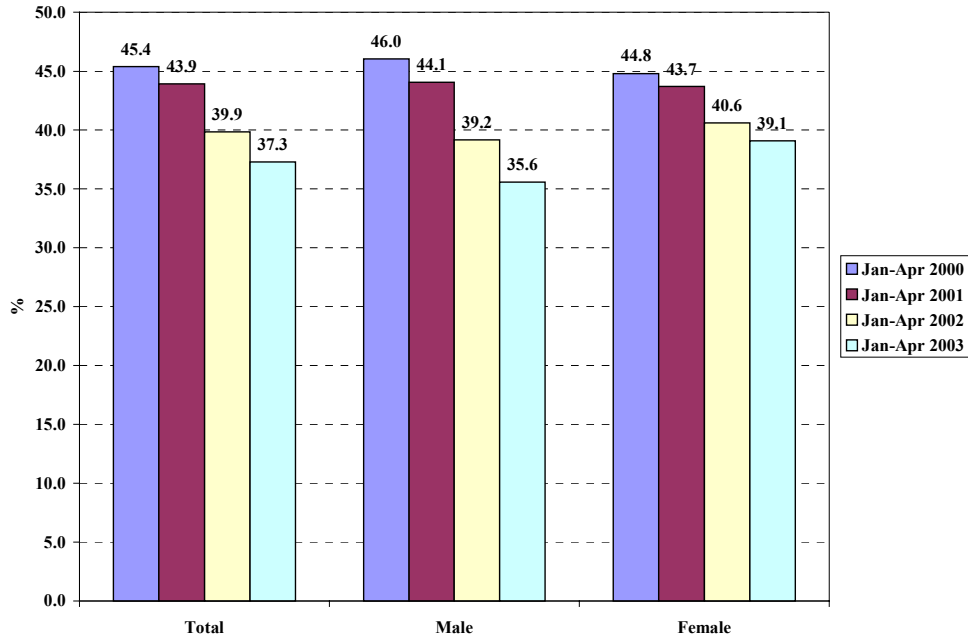
As noted above, the employment prospects of the nation's teens have been very adversely affected by the deterioration in national labor market conditions over the past few years.⁶ To illustrate the extent of the deterioration in teen labor markets, we tracked the employment rates of teens during the first four months of calendar years 2000 through 2003.⁷ The April 2003 employment data have just been released by the U.S. Bureau of Labor Statistics. The employment rate of all of the nation's teens has declined steadily and steeply since the winter/early spring of 2001. During the labor market boom year of 2000, slightly over 45 percent of the nation's teens were working (Chart 5). During the same four month period of 2001, only 44% of the teens were employed, and during the January-April period of 2003, only 37 percent were able to secure some type of employment. Thus, over the past three years, the employment rate of the nation's teens has dropped by 8.1 percentage points or 18 percent. A decline of this relative magnitude in the employment rate of the nation's overall working-age population would have been declared "an economic depression".

⁵ The summer is defined as the June-August period of each year.

⁶ See: Andrew Sum, Ishwar Khatiwada, Nathan Pond, et.al., Left Behind in the Labor Market: The Declining Labor Market Fortunes of the Nation's Young Adults, Report Prepared for the Alternative Schools Network, Chicago, 2003.

⁷ These employment rates represent employment/population ratios. The number of employed teens (16-19) in a given demographic group is divided by the number of teens in the civilian, non-institutional population.

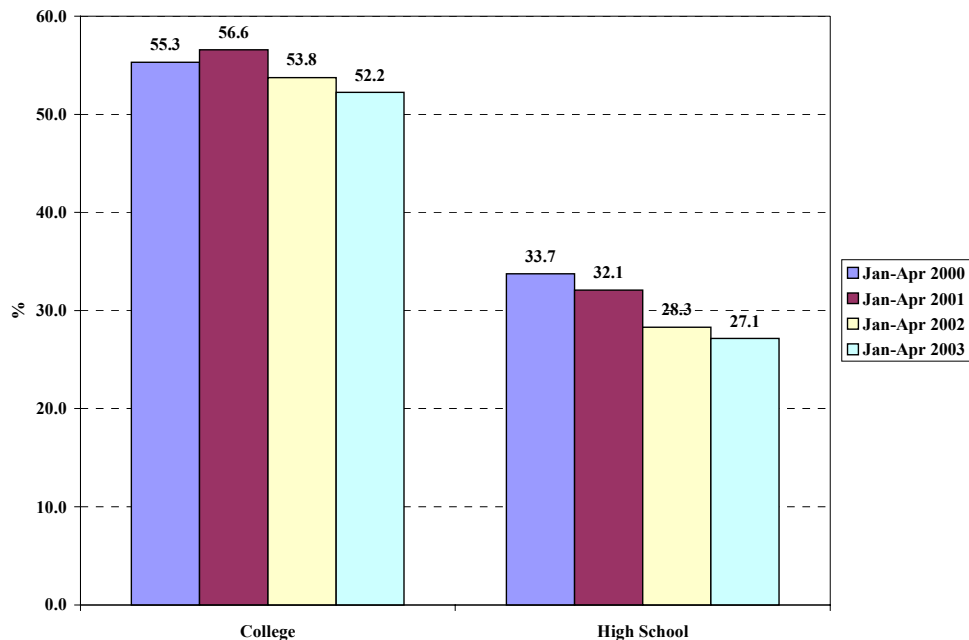
Chart 5:
Trends in the Employment Rates of 16-19 Year Old Youth in the U.S. by Gender,
Four Month Averages, January-April 2000 to January-April 2003
(In Percent, Seasonally Adjusted)



The decline in job opportunities for teens has affected every major demographic subgroup of 16-19 year olds. Similar to developments among their older counterparts, young males were particularly hard hit by the drop in employment opportunities in recent years.⁸ The unemployment rate of male teens fell from 46.0% to 35.6% between 2000 and 2003, a drop of more than 10 percentage points, while the employment rate of their female counterparts fell by approximately six percentage points over the same time period. (Chart 5). During the January-April period of 2003, female teens were characterized by an employment rate nearly four percentage points above that of males while in 2000 male teens were slightly more likely to be employed than their female peers.

⁸ Between 2000 and 2002, the percentage decline in employment among the nation's males was more than twice as high as that among women.

Chart 6:
Trends in the Employment to Population Ratios of 16-24 Year Old High School and
College Students, Four Month Averages, January-April 2000 to January-April 2003
 (in Percent, Not Seasonally Adjusted)



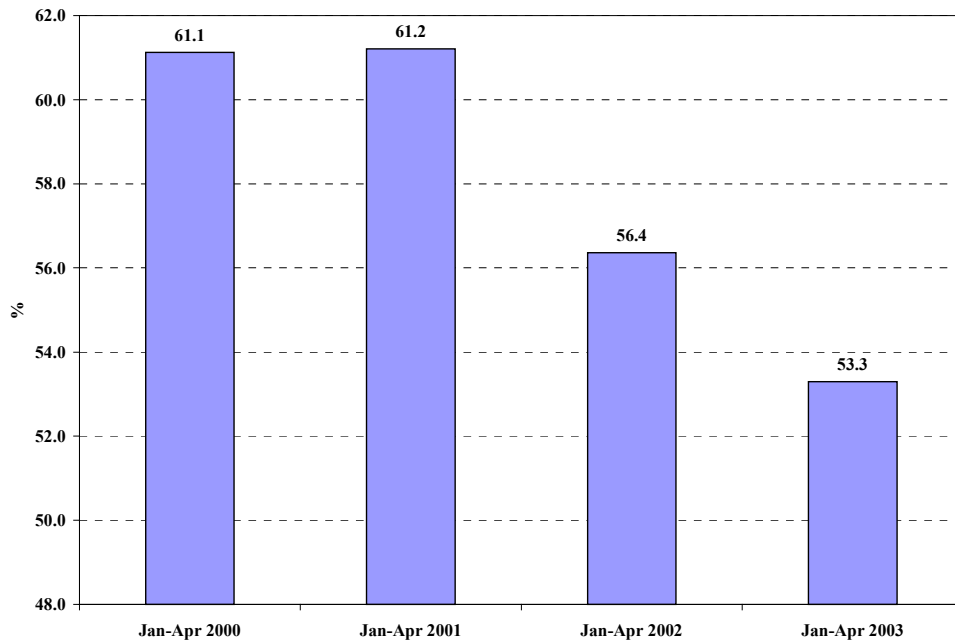
Both high school and college students (16-24 years old) have experienced a drop in their employment rates over the past few years, but the absolute and relative sizes of the declines were far greater among high school students.⁹ The employment rate of high school students has dropped steadily over the past three years, falling from 33.7 percent in January-April 2000 to 27.1 percent in 2003, a decline of 6.6 percentage points or nearly 20 percent. (Chart 6). The 27.1% employment rate for high school students in the first four months of 2003 is the lowest for this four month period over the 20 years for which such employment data for high school students have been available from the monthly Current Population Survey.

Out-of-school teens (including high school dropouts and high school graduates) also were hard hit by the deterioration in labor market conditions. While the 61.2 percent employment rate of these out-of-school teens in January-April 2001 was identical to that prevailing in the same four month period in 2000, job prospects for the nation’s out-of-school teens have plummeted sharply since then. During the January-April period of 2003, only 53 of every 100 out-of-school

⁹ The estimates for high school students include a small number of 20-24 year olds.

teens were working, a drop of nearly 8 percentage points in their employment rate over the past two years.

Chart 7:
Trends in the Employment Rates of 16-19 Year Old Out-of-School, Four Month Averages,
January –April 2000 to January-April 2003
(in Percent, not Seasonally Adjusted)



What does the continued deterioration in teen labor market conditions imply about the likely job prospects for the nation’s teens during the forthcoming summer of 2003? During the first four months of 2003, the employment rates of all teens, male and female teens, and in-school and out-of-school teens were below those of the preceding year and well below those of 2000. One would expect that the summer job outlook for teens would be closely related to labor market conditions for such youth during the winter and spring months of the same calendar year. The stronger the job market for teens in the first four to five months of the year, the stronger should be summer labor market opportunities, and vice versa. To empirically test the nature and degree of the statistical links between winter/spring and summer employment rates for teens, we constructed a simple regression model in which the seasonally adjusted employment rate of the nation’s teens during the summer months (June – August) is regressed against their seasonally adjusted employment rate during the January-April period of the same year. National CPS data on these two variables for the 1980-2002 time period were used to estimate the model.

Findings of the Regression Analysis of Teen Summer Employment Rates

As noted in the above discussions, we hypothesized that the employment rates of 16-19 year old teens during the winter and early spring months would serve as a good indicator of their likely employment status during the following summer months. To test this hypothesis, four month average (January-April) seasonally adjusted employment rates of 16-19 year old teens during the 1980 to 2002 period were calculated and used in a simple regression model to estimate how well they could explain the variations in teen summer (June-August) employment rates during the same 22-year period. Results of this regression analysis are presented in Table 1. The findings reveal that, for every one percentage point decrease (increase) in Winter and early spring teen employment rates, there is an expected .93 percentage point decrease (increase) in teen summer employment rates (Table 1)¹⁰. Thus, seasonally adjusted teen summer employment rates were strongly predicted by the winter and early spring teen employment rate during the 1980 to 2002 period. The relationship between changes in these two employment rates over time is nearly one to one.

Given the above findings combined with the fact that the January-April employment rate of teens declined by nearly 3 percentage points over the 2002 to 2003 period, we estimate that this summer's June-August teen employment rate will be 2.8 percentage points below last summer's teen employment rate of 39.5%. A near 3-percentage point reduction in this summer's teen employment rate would represent a historic all time low. Unless a substantial national effort is taken to generate summer jobs for teens and if there is no dramatic upswing in the national labor market over the next two months, the likelihood of halting this grim expectation regarding the upcoming summer's employment outlook for teens is slim to none.

¹⁰ The adjusted R square for this model was .724. This implies that changes in Winter/Spring employment rates can explain nearly three fourths of the variation in teen summer employment rates.

Table 1:
Findings of the Regression Analysis of the Summer (June-August)
Employment Rates of 16-19 Year Old Teens in the U.S., 1980-2002

	(A)	(B)
Variable	Coefficient	t-Statistic
WINSPREP ¹¹	0.93	7.67*
CONSTANT	43.8	177.78*
R ²	.737	
Degrees of Freedom	1,21	
F-statistic	58.8	
Sig. F	.001	

Note: * implies significant at the .01 level.

Who Worked in the Summer of 2002?

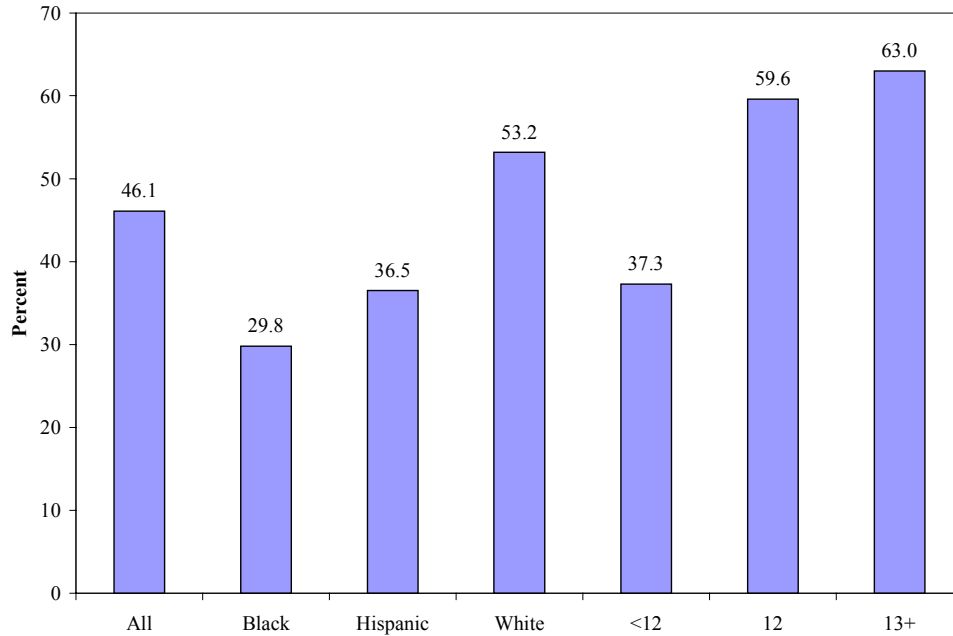
While summer job prospects for the nation’s teens do not appear to be very bright at this point in time, given the severe weakness of the current national job market and the lack of any summer jobs stimulus program from governments, the employment rates of teens will likely vary considerably by their demographic characteristics, their family income backgrounds, and the geographic locations of their households. To illustrate why this is likely to be the case, we examined the summer 2002 employment rates of teens in key race-ethnic, educational attainment, household income, and geographic locations across the nation.¹²

During the June – August period of 2002, on average, slightly over 46 percent of the nation’s teens were employed. The employment rates of these teens, however, varied quite considerably across race-ethnic groups, ranging from a low of slightly under 30 percent among Blacks to nearly 37 percent for Hispanics and to a high of 53 percent among White, non-Hispanics.¹³ (Chart 8). The jobholding rates of the nation’s teens also varied quite widely by their educational attainment. Only 37 percent of those teens who either had dropped out of high school or had not yet obtained a high school diploma were working versus 60 percent of those with a regular high school diploma/GED certificate and 63 percent of those teens who completed one or more years of post-secondary schooling. (Chart 8).

¹¹ This independent variable represents the January to April average employment to population ratio of 16-19 year old teens in the U.S.

¹² Our estimates are based on an analysis of the summer 2002 employment rates of teens based on the findings of the CPS public use files for June through August.

Chart 8:
Summer 2002 Employment Rates of 16-19 Year Olds by
Race/Ethnicity and Years of Schooling Completed, U.S.
 (in %)

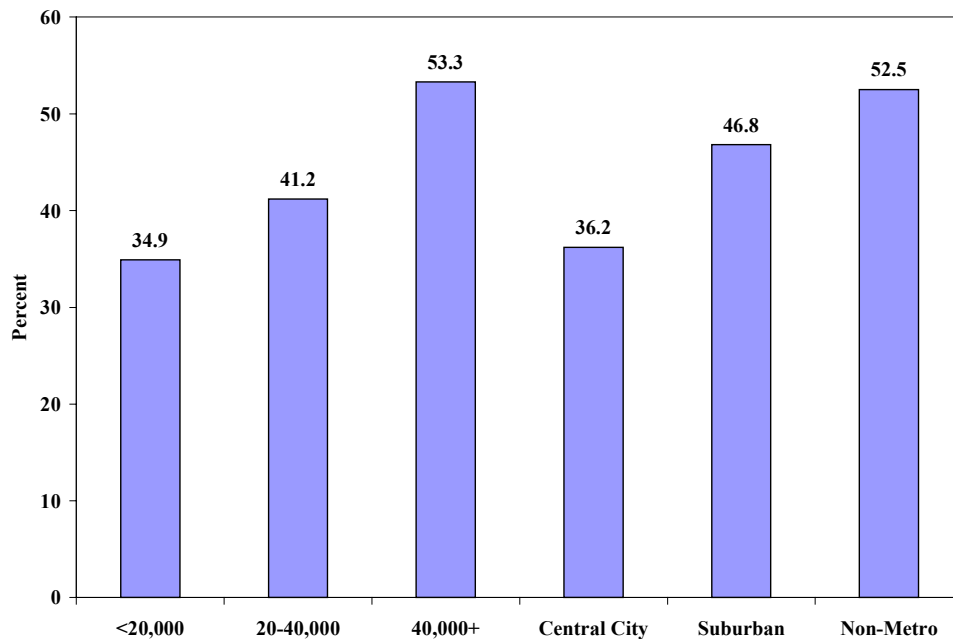


The ability of teens to secure some employment during the summer of 2002 also varied considerably by their family's income position and the geographic locations of their households. Those youth living in households with annual incomes under \$20,000 were employed at a rate of only 35 percent versus 41 percent of teens in households with incomes between \$20 and \$40 thousand, and 53 percent of teens in households with incomes of \$40,000 and higher. (Chart 9). Among youth residing in families with incomes above \$60,000, the employment rate of teens was 54 percent. Jobholding rates of teens also varied by the geographic locations of their households. Only 36 percent of teens living in central cities were working during the summer of 2002 versus 47 percent of their peers living in the suburban portions of the nation's metropolitan areas and 52 percent of teens living in non-metropolitan areas.¹⁴

¹³ Hispanics can be members of any race. The employment estimates for Black and White teens exclude Hispanics. The three race-ethnic groups are mutually exclusive.

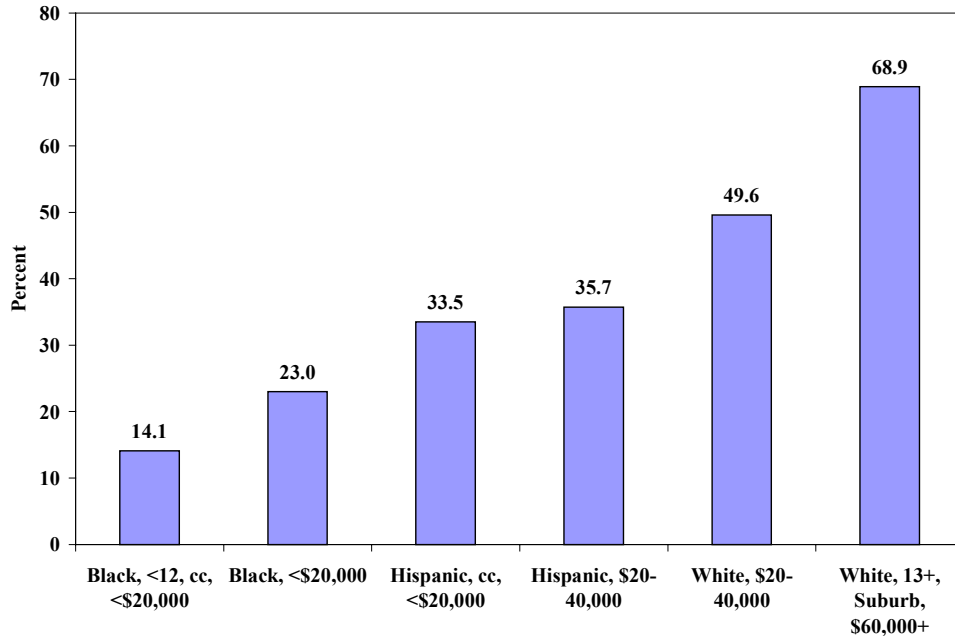
¹⁴ These non-metropolitan areas include both small urban and rural areas.

Chart 9:
Summer 2002 Employment Rates of 16-19 Year Olds by
Household Income and Geographic Location of Household, U.S.



An even more dramatic range of teen employment rates is obtained when we combined demographic, socioeconomic and geographic traits of teens. During the summer of 2002, only 14 percent of Black teens with no high school diploma, who lived in low income households in the nation's central cities were employed versus one-third of Hispanic teens living in low income households in central cities, nearly 50 percent of White teens living in households with incomes between \$20 and \$40 thousand, and nearly 69 percent of White teens with some post-secondary schooling who lived in suburban families with money incomes above \$60,000. (Chart 10). The relative difference in the employment rates between the two teen groups with the highest and lowest employment rates was nearly five to one. These youth clearly faced fundamentally different labor market prospects during the past summer and will likely continue to do so during the coming summer. Teens will face severe competition for available jobs from older college students home for the summer, from the increased number of adults who are unemployed and jobless, and from the record wave of new immigrants who arrived in the U.S. over the past decade.

Chart 10:
Summer 2002 Employment Rates of Subgroups of 16-19 Year Olds in
Selected Race, Educational Attainment, Household Income, and Geographic Locations
 (in %)



Who Will Work This Summer?

The labor market plight of economically disadvantaged teens this summer is likely to be a particularly daunting one for a number of reasons. First, these disadvantaged youth frequently are arrayed at the back end of many hiring queues and gain jobs at a disproportionate rate only when national hiring activity is strong as was the case from 1996-2000. They often remain “the last hired” in more slack labor market environments and will face difficulties in obtaining job offers this summer.

Second, many economically disadvantaged youth, including 14-15 year olds, had been dependent on the federally-funded Summer Youth Employment Program for their summer jobs in prior years. This subsidized summer jobs programs was blended into a year-round youth initiative under the Workforce Investment Act of 1998 (WIA). Limited availability of WIA funds at the state and local level has prevented the use of some of these monies to create summer subsidized jobs for economically disadvantaged youth in most workforce development areas in recent years, and this summer is unlikely to be an exception. Third, many large cities and states provided monies to create summer jobs for teens and other young adults in previous years. Severe fiscal difficulties faced by many states and large cities have led to cutbacks in the

budgetary allocations for summer youth job programs, which disproportionately benefited economically disadvantaged youth. Earlier this month, Mayor Menino of Boston announced a severe cutback in city-funded summer youth slots, given the adverse budgetary situation facing the city.¹⁵

The likely scenario of a deeply depressed labor market for the nation's teens this summer, especially for economically disadvantaged, central city, and Black youth, is based on a fundamental set of facts on the nation's current economic life: a severe shortage of unsubsidized jobs for teens and the absence of any substantive, subsidized summer jobs program to fill the gap. As Secretary of the Treasury, John Snow, noted in a recent interview with Tim Russert on Meet the Press, "the real deficit the country faces today is a jobs deficit."¹⁶ We can only add our Amens!

Hopefully, it is not too late for the U.S. Congress and the Bush administration to immediately act to provide emergency funding under the current WIA act to state and local workforce development boards across the entire country to create several hundred thousand jobs for economically disadvantaged and other jobless teens (16 and older). These funds could be used to help fill the current job deficit situation and avoid another long, hot, and jobless summer for many of the nation's teenagers. The current time is particularly opportune for such a job creation program. During the past summer, nearly two million teens were either unemployed, underemployed, or members of the nation's labor force reserve, i.e., wanting a job though not actively looking for work. These idle labor resources hold down the real output of the economy, the earnings of young workers, and their purchasing power over goods and services. Summer jobs programs targetted upon youth with low employment prospects yield high net job creation effects and well-designed programs can produce other desirable social outcomes, including less crime and delinquency, improvements in high school students' literacy and work skills, and higher levels of public services.¹⁷

¹⁵ See: Diane E. Lewis, "Throwing Cold Water on Summer Jobs", The Boston Globe, May 9, 2003, p. C-1.

¹⁶ Television interview on Meet the Press, Sunday, May 11, 2003.

¹⁷ For a more detailed case for a summer and year-round job creation program for young adults, See: Andrew Sum, Garth Mangum, and Robert Taggart, The Youth, the Restless, and the Jobless....