

Declining Teen Employment Prospects in
Massachusetts and the U.S.: The Case for An
Immediate Youth Jobs Stimulus Program in the
Nation and State

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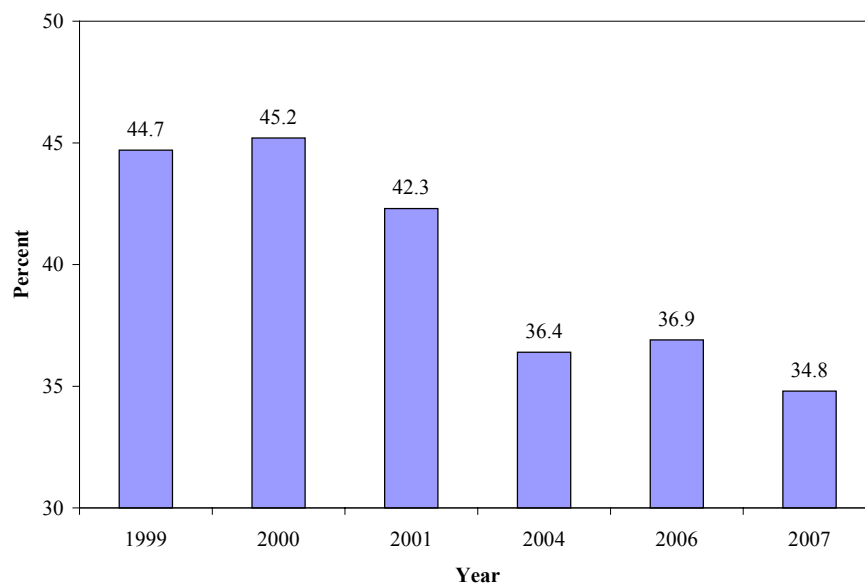
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Introduction

Changes in the labor market fate of different demographic and socioeconomic groups of workers in the U.S. have varied considerably over the current decade. Employment among the nation's teens (16-19 years old) has declined considerably over the past seven years (2000-2007).¹ They have fared far worse than any other age group. At the peak of the national labor market boom in 2000, slightly over 45 percent of the nation's teens worked during an average month.² During the national recession of 2001, the teen employment rate fell by nearly three full percentage points and it continued to decline sharply during the largely jobless recovery years of 2002 and 2003 (Chart 1).³ By 2004, the nation's teen employment rate had dropped to 36.4%. Over the following two years, the teen employment rate rose modestly to 36.9% but remained well below its rates in the late 1990s and 2000.

Chart 1:
Employment Rates of Teens in the U.S., Selected Years 1999-2007
(in %)



¹ For a more detailed analysis of the steep deterioration in teen employment opportunities over the 2000-2007 period,

See: Andrew Sum, Ishwar Khatiwada, and Joseph McLaughlin, The Collapse of the National Teen Labor Market and the Case for An Immediate Youth Jobs Creation Program, Center for Labor Market Studies, Northeastern University, Boston, 2008.

² Teen employment rates can vary widely over the course of the year, typically being highest in the summer months when many teens are out of high school or college.

³ Payroll employment in the U.S. declined throughout calendar year 2002 and did not move onto a steady growth path until the late summer of 2003. Nationally, payroll employment growth slowed considerably in the second half of 2007, increasing by only 494,000 between June and December as recently revised by the U.S. Department of Labor.

The national teen labor market surprisingly began to weaken in the latter half of 2006 despite continued overall job growth, and employment of teens fell sharply in 2007. During calendar year 2007, the national teen employment rate fell to 34.8%, the lowest annual average teen employment rate ever recorded by the U.S. Bureau of Labor Statistics over the 60 year period for which national teen employment are available (dating back to 1948). Teen employment rates have declined precipitously over the past seven years for all major demographic, socioeconomic, and geographic subgroups. The relative sizes of these declines, however, have been higher for the youngest teens (16-17), males, Black youth, and low income youth.⁴

The Deterioration in the Teen Job Market in Massachusetts, 1999 - 2007

The steep deterioration in teen employment across the nation over the past seven years also took place in the Commonwealth. Between 1999 and 2007, the employment rates of Massachusetts teens also declined quite steadily and steeply, and the state’s relative ranking among the 50 states deteriorated considerably (Table 1 and Chart 2). In 1999, nearly 54 of every 100 Massachusetts teens were employed during an average month. This employment rate was nearly 9 percentage points above the U.S. average, and the state ranked 12th highest among the 50 states on this key teen employment measure during that year (Table 2).

Table 1:
Comparisons of Teen Employment Rates in Massachusetts and the U.S.,
Selected Years 1999 to 2007 and Massachusetts’ Rank Among the 50 States

	(A)	(B)	(C)	(D)
Year	E/P Rate U.S.	E/P Rate Massachusetts	Massachusetts – U.S.	Massachusetts Rank Among 50 States
1998	45.1%	51.8%	+6.7 percentage points	13 th
1999	44.7%	53.5%	+8.8 percentage points	12 th
2004	36.4%	41.6%	+5.2 percentage points	21 st
2006	36.9%	39.5%	+2.9 percentage points	29 th
2007	34.8%	38.6%	+3.8 percentage points	26 th

⁴ For example, the male teen employment rate fell by 11.5 percentage points between 2000 and 2007 versus a 9 percentage point decline among women. Female teens are now employed at higher rates than men in the nation and the state. This represents a reversal from the situation in the 1970s, 1980s, and late 1990s.

Chart 2:
Employment Rates of Teens (16-19) in Massachusetts Selected Years, 1998 to 2007
 (in %)

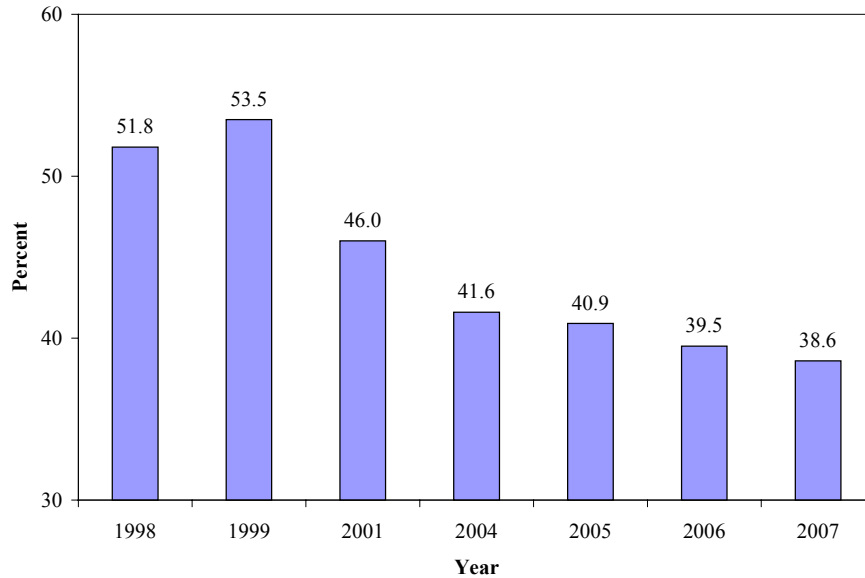


Table 2:
The Twelve States with the Highest Teen Employment Rates in 1999
 (in %)

State	E/P Ratio For Teens
Iowa	64.6
Nebraska	62.6
Minnesota	61.7
South Dakota	59.2
Wisconsin	59.1
North Dakota	57.6
Kansas	57.2
Utah	57.0
Missouri	56.9
Michigan	54.8
New Hampshire	54.2
Massachusetts	53.5

Source: U.S. Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 1999, tabulations by authors.

Following the end of the labor market boom in our state in 2000, teen employment rates fell steadily and steeply, dropping to 46 percent in 2001, to below 42% in 2004, and to 38.6% in

2007. The state’s teen employment rate during 2007 was the lowest it ever has been in the 30 year period for which teen CPS data are available and it is nearly 17 percentage points below its value in 1988 at the height of the state’s labor market boom during the “miracle decade” of the 1980s. (See Appendix A). During 2007, the state’s teen employment rate was still several percentage points above the national rate of 35 percent, but the state ranked only 26th highest on this measure, right in the middle of the state distribution of teen employment rates. Male teens have fared less well than females in gaining jobs, and their ranking among the 50 states was only 29th in 2006 based on the American Community Surveys for that year.

The employment rate of the state’s teens in 2007 fell considerably below those prevailing in the top ten ranked states during that year. Of these top ten states, six were located in the Midwest region primarily in the Great Plains states, three in the Rocky Mountain region, and one in New England (New Hampshire). The teen employment rates in these ten states ranged from highs of 55% to nearly 57% in Iowa, North Dakota, and South Dakota to just under 48% in New Hampshire. The unweighted average teen employment rate in these 10 states was 51.6% (Table 3). In sharp contrast, the teen employment rate in Massachusetts during 2007 was only 38.6% or 13 percentage points below the average in the top 10 performing states. Clearly, the state was far from being a national leader in the employment of its teens during 2007. In the late 1970s and 1980s, Massachusetts often ranked close to 10th place.

Table 3:
The Employment Rates of Teens (16-19) in the Top Ten Highest Ranked States in the U.S., 2007
(in %)

State	E/P Rate
South Dakota	56.7
North Dakota	56.6
Iowa	55.3
Nebraska	51.5
Utah	50.9
Minnesota	50.6
Wisconsin	49.3
Wyoming	49.0
Montana	48.9
New Hampshire	47.5
Simple Average, Top Ten	51.6

Source: 2007 Monthly CPS surveys, public use files, tabulations by authors.

How much better would teens in Massachusetts have fared last year if they had matched the average employment rate of the top ten states? To answer this question, we conducted a simple simulation exercise in which we substituted the 51.6% average teen employment rate for the top 10 states for the teen employment rate that actually prevailed in our state during that year (Table 4). If the state’s teens had matched the employment rate of the top ten states, the number of employed Massachusetts teens in 2007 would have risen to nearly 198,000, representing a near 50,000 increase in the number of teens with paid jobs. The hypothetical increase would have been closer to 70,000 if the state had matched its own peak teen employment rates of 57% in the mid to late 1980s. Gains in jobholding would have been particularly strong for men, Blacks, Hispanics, and low income youth.

Table 4:
Comparisons of the Actual Number of Employed Teens in Massachusetts
In 2007 with the Hypothetical Number That Would Have Been Employed if
the State Had Matched the Teen E/P Rate of the Top 10 Ranked States

Variable	Value
Actual employment rate	38.6%
Actual number of employed teens	147,815
Hypothetical employment rate	51.6%
Hypothetical number of employed teens	197,515
Hypothetical – Actual Employed	49,700

Labor Underutilization Problems Among Massachusetts Teens in 2006 – 2007

The labor market problems of teens go well beyond the official unemployment statistics of the U.S. Bureau of Labor Statistics and include hidden unemployment, underemployment, and low skilled employment with few opportunities to learn new skills. The hidden unemployed also referred to in the labor literature as the labor force reserve include those youth who wish to be employed but are not actively seeking work. During periods of declining employment or low job growth, teens often will withdraw from active labor force participation and not be included in the ranks of the official unemployed. In 2006-2007, based on the findings of the CPS surveys for those two years, we estimate that there were approximately 16,400 teens in the ranks of the hidden unemployed in addition to the 20,100 official unemployed. Another 6,200 teens were employed part-time (under 35 hours per week) but desired full-time jobs. They are categorized as

underemployed.⁵ National research has shown that even many teens employed part-time desire to work more hours than they receive from their employers. The combined sum of teens in our state that were unemployed, underemployed, and members of the labor force reserve was nearly 43,000, equivalent to 23.2% of the adjusted teen labor force. Approximately, 1 of 4 teens in the adjusted labor force in our state were unutilized or underutilized over the past two years (Table 5). The underutilization rate of boys was sharply higher than those for girls (26% vs. 20%), and both Blacks and Hispanics in our state and the nation experienced sharply higher underutilization rates than their White counterparts. These high labor underutilization rates of teens result in lost earnings, lost work experience, lost output for the state economy, and lower federal and state payroll and income taxes. Lost work experience today will have negative effects on future employment and wages of teens as they move from their early teens into their late teens and early 20s.

Table 5:
Labor Force Underutilization Problems Among Massachusetts
Teens (16-19) in 2006 and 2007, Two Year Averages

Labor Force Variable	Value
Civilian Labor Force	167,289
Unemployed	20,104
Labor Force Reserve ⁽¹⁾	16,353
Underemployed ⁽²⁾	6,180
Total Underutilized	42,637
Underutilization Rate ⁽³⁾ (in %)	23.2%

- Notes: (1) The labor force reserve consists of those teens not actively participating in the labor force but who express a desire for immediate employment.
 (2) Underemployed are those teens who are working part-time for economic reasons; i.e., want full-time jobs but cannot find them
 (3) The underutilization rate is calculated by dividing the number of underutilized teens by the adjusted civilian labor force. The adjusted civilian labor force is the sum of the civilian labor force and the labor force reserve.

The lost gross annual earnings for the state's teens and the lost real output for the state economy from this sharply reduced level of teen employment in recent years were quite substantial. During calendar year 2006, the average employed teen in Massachusetts (both in-

⁵ National evidence for teens who are underemployed indicate that they work on average for only 20-21 hours per week, about one half of the average hours worked by the full-time employed.

school and out-of-school youth) achieved mean annual earnings of slightly over \$5,000.⁶ An additional 50,000 employed teens in 2007 matching the mean annual earnings of their peers in the prior year would have earned around \$250 million and produced around \$430 million in gross state product (GSP) for the Commonwealth.⁷ The federal and state government would have captured at least \$45 million in Social Security payroll and UI taxes from these employed youth and their employers as well as sales tax revenues on some of their consumption expenditures and some state and federal income tax receipts.⁸

The Case for Combined Federal, State, and Local Policies to Stimulate Teen Employment in our State

The teen labor market in both Massachusetts and the U.S. has deteriorated substantially over the last 7 years, with steep declines in the employment rates of teens, rising labor underutilization rates, and deteriorating job quality.⁹ These sharp declines in teen employment have affected men and women, Blacks, Hispanics, and Whites, the native born and established immigrants, teens enrolled in school as well as those out-of-school, and low income and middle income youth. Nationally and in our state, the relative sizes of these teen employment declines have been greater for men than for women, for 16-17 year olds than for 18-19 year olds, and for Blacks and Hispanics than for Whites.

Nationally, the sharp drop in teen employment over the past year and, especially in the past few months, suggest severe difficulties for teens finding jobs this summer. Currently, we project a new record low summer employment rate for the nation's teens this coming summer in

⁶ These estimates are based on the findings of the 2006 American Community Surveys for Massachusetts households. Most employed teens (and the overwhelming majority of high school and college students) work part-time and part year. Employed high school graduates not enrolled in college had mean annual earnings closer to \$12,000, while high school students had mean earnings not slightly under \$2,900.

⁷ Employer contributions for the Social Security payroll tax, the unemployment insurance tax, workers compensation, and health benefits/paid vacations would likely account for at least 15 percent of their gross earnings. Nationally, labor compensation and proprietors' income have accounted for about 2/3 of the nation's gross domestic product (GDP). We converted the earnings of teens and their employer contributions into GSP estimates by dividing them by 2/3.

See: U.S. Council of Economic Advisers, Economic Report of the President: 2004, U.S. Government Printing Office, Washington, D.C., 2004.

⁸ The combined Social Security retirement and Medicare tax on workers and their employers and the state unemployment insurance tax would account for slightly more than 18% of their gross earnings. Most employed youth who are counted as exemptions on their parents' tax returns will pay some income tax.

⁹ For a recent review of declining job quality in the nation as a whole, See: John Schmitt, "The Decline of Good Jobs," in Challenge: The Magazine of Economic Affairs, January – February 2008, pp. 5-25.

the absence of major new policy actions to boost teen employment at the national, state, and local level. Last summer marked a record low employment rate for the nation's teens. Both nationally and in the state, teens are currently seeking work in a substantially depressed labor market environment where payroll jobs have stopped growing. Despite this substantial deterioration in teen employment prospects, neither the Bush administration nor the U.S. Congress have taken any actions to improve their opportunities for jobs.

What Can be Done?

First, at the national level, the Bush administration and the U.S. Congress should put no less than \$2 billion in the fiscal stimulus packages currently being debated to create jobs for the nation's teens this summer and in the fall. The U.S. House of Representatives had placed a summer jobs provision in the stimulus bill but withdrew it prior to the final vote. The Massachusetts Congressional delegation should immediately move to insert such provisions in the stimulus legislation and aggressively lobby for a youth jobs creation bill. Most states across the country are not in a fiscal position to fund a major jobs bill on their own. Past evidence has shown that job creation programs for youth, especially low income youth, are considerably more cost effective than those for older adults. Net job creation aimed at teens is higher and costs per job created are lower.¹⁰

President Bush should personally appeal to the business community to create jobs for the nation's teens and call upon all federal agencies to assist him in this effort. Second, the U.S. Labor Department should allocate additional monies to state and local Workforce Investment Boards across the nation to boost job development and placement efforts for teens. These workforce development agencies should carefully document all placements of teens in unsubsidized jobs and their retention in employment over a multiple year period. Funding for such efforts should be based on the performance of one-stop career centers in recruiting and placing youth in jobs with incentives for placing more at-risk youth in paid employment.

Third, the Patrick administration should request from the state legislature a further increase in Connecting Activities monies to allow local WIBs to hire staff to promote the hiring

¹⁰ For evidence on this, See: Timothy Bartik, "Poverty, Jobs, and Subsidized Employment," Challenge: The Magazine of Economic Affairs, May – June 2002, pp. 100-111; (ii) Andrew Hahn and Robert Lerman, What Works for Youth Employment Policy, National Planning Association, Washington, D.C., 1982.

of youth as year-round and summer interns by private sector firms across the entire state. The budget should be increased to its previous high of \$7 million, with allocations based on the number of jobs developed for teens by each local WIB. Fourth, the Patrick administration should seek from the state legislature funding to support both summer jobs and year-round jobs for selected groups of teens at the local level. Their efforts in this area last summer were a step in the right direction. Fifth, the ongoing efforts of Mayor Menino of Boston and a few other local officials in the state to develop private sector jobs for youth should be aggressively promoted across the entire state by all local elected officials. Both federal and state monies, including those proposed under the stimulus bill pending in Congress, should be allocated to cities for operating these summer and year-round job activities for teens in the private sector. Year-round employment offers more potential for improving the longer-term employment prospects of teens in our state and the entire nation, especially among those youth who will not immediately enroll in four year colleges and universities upon graduation from high school. Subsidized summer and year-round jobs should also provide opportunities for learning on and off the job, including literacy and math instruction, MCAS preparation, SAT test preparation, and occupational skills building.

Appendix A: A Historical Look at Teen Employment Rates in Massachusetts from the Late 1970s to 1997

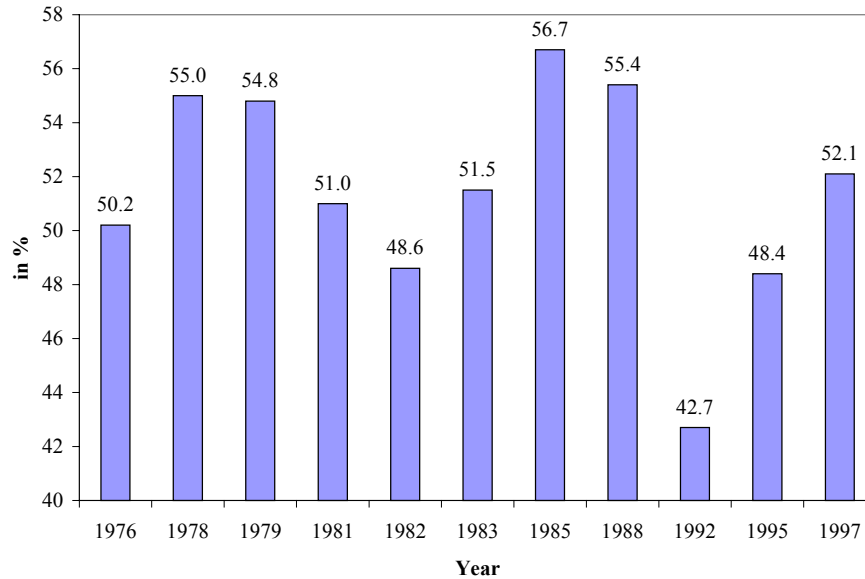
In the main body of this research report, we analyzed trends in the employment rates of the state's teens over the 1999-2007 period based on findings from the monthly Current Population Surveys for these years. The teen employment rates in 2006 and then in 2007 were the lowest ever recorded over the 31 year period (1976-2007) for which state based CPS employment data are available. To illustrate how far teen employment rates in Massachusetts have fallen in recent years, we analyzed the CPS survey findings for selected years from 1976 to 1997.¹¹

The employment rates of Massachusetts teens in selected years over the 1976 to 1997 time period are displayed in Chart A-1. Teen employment rates varied fairly widely over these years, ranging from a low of 43% in 1992 to highs of 55 to 57 percent in 1985 and 1988. Teen employment rates in our state as in the nation as a whole are extremely sensitive to changes in overall labor market conditions. Massachusetts teens experienced substantial declines in their employment prospects during the economic recessions that occurred in the early 1980's and then again in the 1990's. For example, the teen employment rate fell to 48.6% in 1982 from previous highs of approximately 55% in 1978 and 1979. The year 1982 marked the trough of the national recession of 1981-82. On the flip side, teens greatly benefited from the strong expansion of the Massachusetts economy following the end of the recession in the late 1982. The teen employment rate rose from 48.6% to 56.7% in 1985, the highest employment rate for teens on record over the past three decades. The teen employment rate remained high through 1988 then fell sharply over the next four years as the state experienced a deep recession. Over the 4 year period from 1988-1992, the teen employment rate fell approximately 14 percentage points to 42.7%. Again, the national and state economic expansion from 1992 to the late 1990's sharply boosted employment opportunities for teens as their employment rate climbed back to 52.1% in 1997 and would come close to 54% in 1999 at its peak for the decade. At no time over this period 1976-1997 did the teen employment rate fall below 42.7% and it frequently was in the 50-

¹¹ The source of these teen employment estimates is the annual Geographic Profiles of Employment and Unemployment published by the U.S. Bureau of Labor Statistics. The data in these publications are based upon the Current Population Surveys.

56 percent range over the 1976-1988 period. Massachusetts often ranked near the 10th place among the states.¹²

Chart A-1:
Trends in the Employment Rates of 16-19 Year Olds in
Massachusetts, Selected Years 1976 (in %)



¹² For a more detailed review of the cyclical sensitivity of national teen employment rates, 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, 2002.