

**The Projected Summer 2007 Job Outlook for the  
Nation's Teens and the Case for a Federally-Funded  
Summer Jobs Creation Program**

Prepared by:  
Andrew Sum  
Joseph McLaughlin  
Center for Labor Market Studies  
Northeastern University

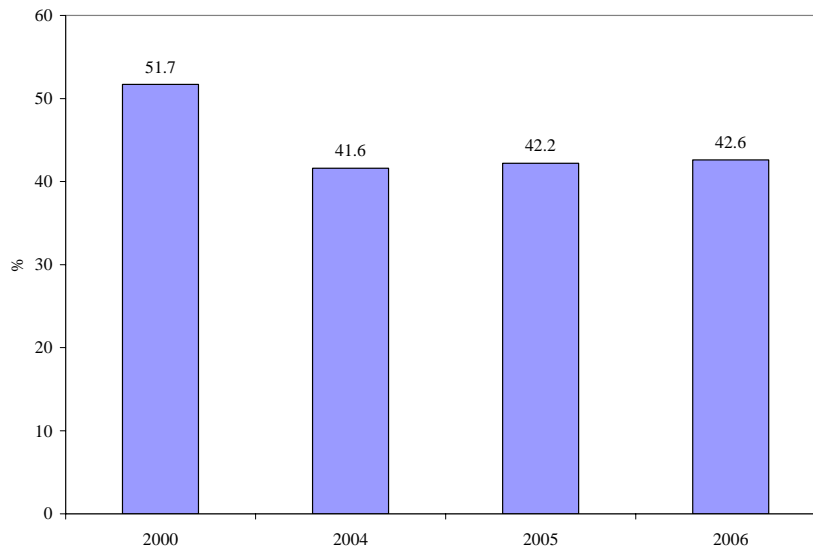
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## Introduction

Following the end of the 1990's national labor market boom in early 2001, the labor market for the nation's teens deteriorated considerably over the next four years. Employment opportunities fell far more sharply for teens than for any other age group, and they have not improved to any substantive degree over the past three years (2004-2006) despite renewed wage and salary job growth across the country. The overall teen employment rate (36.6%) in the past three years (2004-2006) was the lowest in the past 60 years.

The summer job market for the nation's teens also has been substantially depressed in recent years. In the summer of 2000 (June-August), nearly 52 of every 100 teens (16-19 years old) were employed during a typical month.<sup>1</sup> The summer employment rate for teens fell steadily and strongly over the following four years, declining to a new historical low of 41.6 percent in 2004 before modestly improving last summer to 42.6%.

**Chart 1:**  
**Trends in the Summer Employment Rates of Teens in the U.S., Selected Summers, 2000 to 2006**  
**(in %, not seasonally adjusted)**



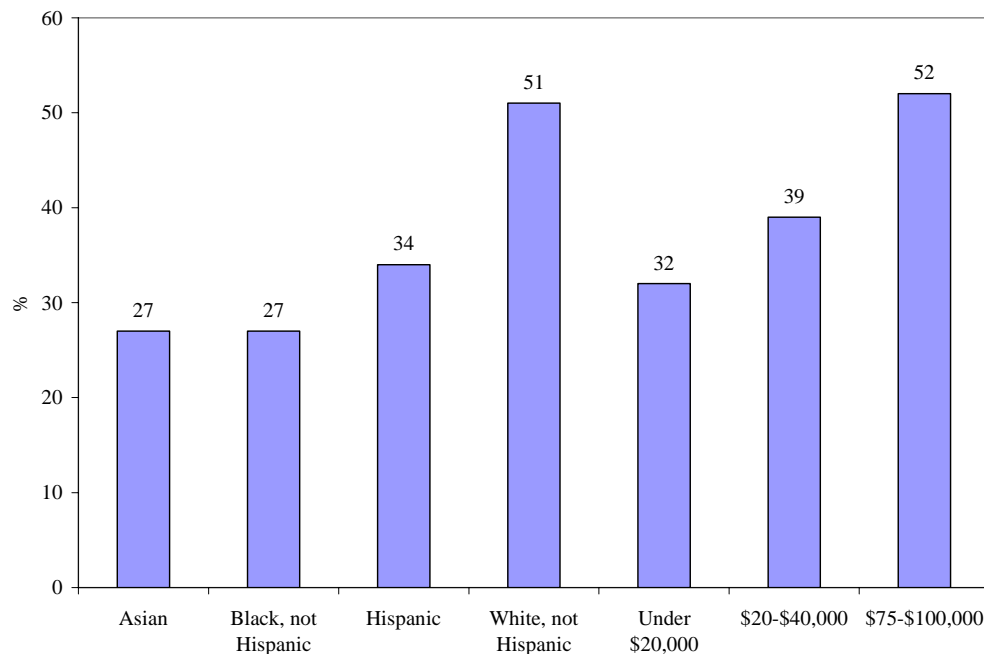
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<sup>1</sup> These summer employment rates for teens are the average employment/population ratios for these three months not seasonally adjusted. The teen E/P ratio represents the share of the nation's teens in the civilian, non-institutional population that were employed during a given month. An E/P ratio of 42 percent implies that 42 of every 100 teens were working during this time period.

## Who Worked During the Summer of 2006? Variations in Teen Employment Rates

Job opportunities for teens during the summer months varied widely across race-ethnic and family income groups, and geographic regions, states, and cities (Chart 2). Slightly over one-half of all White, non-Hispanic teens were employed versus only one-third of Hispanics and only slightly more than one-fourth of Black teens. Those teens living in low income families (<\$20,000) were least likely to be working (32%) while those residing in households with incomes between \$76,000 and \$100,000 were the most likely to be employed (52%). Only one-third or fewer of the youth living in California, D.C., New York, and Mississippi held jobs during the past summer versus 60% or more of those teens residing in Idaho, Iowa, Nebraska, and South Dakota. (See Appendix Table A-1).

Chart 2:  
Summer 2006 Employment Rates of U.S. Teens by Race-Ethnic Group and Selected Family  
Income Group (in %)



## The Projected Summer 2007 Job Outlook for the Nation's Teens

How well are the nation's teens likely to fare in the job market this summer? To answer this important question, we will rely on forecasts from a simple regression model of teen summer

employment rates that we developed four years ago.<sup>2</sup> This regression model initially was estimated with the use of national CPS data on teen employment rates for the years 1980 through 2002. The model was designed to predict the average summer teen employment rate for the months of June-August (seasonally adjusted) with the use of data on the estimated employment rates of teens in the winter and early spring of each year (January-April).

This simple forecasting model has performed extremely well in predicting teen summer employment rates over the 2003 to 2006 period. There typically is a large influx of teens into the civilian labor force during the summer months as students graduate from high school or go on summer vacation from high school and college. During recent years, approximately two million additional teens have entered the labor market in June and July in search of work. For example, there were 6.755 million teens active in the civilian labor force on average during the January-March 2006 period, but the teen labor force swelled to approximately 8.768 million during the months of June and July of 2006, a gain of 2.013 million teens. The ability of these teens to obtain jobs during the summer should be strongly associated with the strength of the teen labor market earlier in the year. Many teens employed during the winter and spring months continue on those same jobs during the summer, and the hiring of additional teens in the summer is linked to the volume of hiring activity earlier in the year. The demise of the nation's Summer Youth Employment Program in 2000 also has contributed to the difficulties faced by teens, especially economically disadvantaged youth, in obtaining jobs during the summer months.<sup>3</sup>

In our prediction model, the summer teen employment rate (seasonally adjusted, June-August average) is regressed against the teen employment rate during the first four months of the year (January-April, seasonally adjusted). Findings of our regression results from the initial model are displayed in Table 1. The predicted seasonally adjusted, summer teen employment rate for a given year (in percentage points) will be equal to  $43.8 + (.93)$  times the average

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<sup>2</sup> For a review of the construction of the summer teen employment forecasting model, the elements of the regression model, and its initial use in predicting the teen employment rate for the summer of 2003, See: Andrew Sum, Nathan Pond, and Mykhaylo Trubs'kyi with Sheila Palma, The Summer Job Market for the Nation's Teenagers from 2000 – 2002 and the Employment Outlook for the Summer of 2003....,

<sup>3</sup> In passing the Workforce Investment Act of 1998, the U.S. Congress and the Clinton Administration ended funding for a separate, categorical Summer Youth Employment Program that previously provided 600,000 or more jobs for youth.

monthly seasonally adjusted teen employment rate for the first four months of the calendar year.<sup>4</sup> The higher the teen employment rate during the January-April period, the higher will be the predicted summer employment rate. The overall fit for the simple regression model was quite respectable (an  $R^2$  value of approximately .74, which was highly significant at the .001 level).

Table 1:  
Findings of the Regression Model Estimates of the Summer Teen Employment Rate in the U.S.  
Based on Observations from 1980 to 2002  
(Seasonally Adjusted E/P Rates in %)

	(A)	(B)	(C)	(D)
Regression Variable	Coefficient	Standard Error	t-statistic	Sig. of t
Constant	43.8	.24	177.8	.001
WINSPREP	.93	.12	7.67	.001

$R^2 = .737$   
D.F. = 1, 21  
F = 58.8  
Sig. of F = .001

Another method for assessing the forecasting accuracy of the regression model is to compare predicted summer employment rates for years outside of the time period covered by the regression analysis with the actual summer employment rates for those years. Comparisons of the predicted and actual summer teen employment rates for 2000 and each of the past four summers (2003-2006) are displayed in Table 2. For the summer of 2000, a year falling within the time period covered by the model, the predicted summer employment rate was 45.3%, which was nearly identical to the actual 45.0% employment rate for that summer. For the summer of 2003, the first prediction lying outside of the data set used to construct the model, we estimated a summer employment rate of only 37.8%, but our prediction turned out to be a little too optimistic. The CPS survey's estimated teen employment rate for the summer of 2003 was only 36.5%, or 1.3 percentage points below our prediction. In other words, teens fared somewhat less well than our model had predicted. For the summer of 2004, we predicted an employment rate of 36.9%. The actual, estimated employment rate for the summer was 36.1%, a value .8 percentage

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<sup>4</sup> The variable is referred to as the "adjusted winter/spring employment rate" since its value is not the actual employment rate from January-April but rather the value obtained by subtracting 43.8 from the estimated teen employment rate for the first four months of the year.

points below that of our prediction. Again, our model was slightly too optimistic. For the summer of 2005, our predicted teen summer employment rate came within one-tenth of a percentage point in exactly matching the CPS survey’s estimated teen employment rate. Last year, our predicted teen summer employment rate exceeded the estimated employment rate by .3 percentage points. Thus, the model has done a very good job in predicting teen summer employment rates over the past three years.

Table 2:  
Comparisons of Predicted and Actual Summer Employment Rates of the Nation’s Teens,  
Summers of 2000, 2003-2007 (Seasonally Adjusted, in %)

	(A)	(B)	(C)
Year	Predicted	Actual	Actual – Predicted
2000	45.3	45.0	-.3
2003	37.8	36.5	-1.3
2004	36.9	36.1	-.8
2005	36.7	36.8	+.1
2006	37.4	37.1	-.3
2007	36.5	?	?

Unfortunately, the 2007 summer jobs outlook for the nation’s teens appears to be slightly more gloomy than last year despite an improving national job market for older adults. Our predicted summer teen employment rate for this year is only 36.5%, a rate that would match the historical lows experienced during the summers of 2003-2004. During the first three months of this year, the seasonally adjusted, teen employment rate averaged only 36.0% or .9 percentage points below that for the same three month period in 2006 (Table 3).<sup>5</sup> Despite strong job growth in the nation since the early fall of 2003, teens have until recently been unable to capture any substantive share of these new employment opportunities.

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<sup>5</sup> Although the regression model is based on findings on teen employment rates for a four month period January-April, our prediction for 2006 relies on data available for the first three months of 2006. The April 2007 CPS monthly data were not available at the time of publication. They will be released by the U.S. Bureau of Labor Statistics in its monthly Employment Situation report on May 4<sup>th</sup>.

Table 3:  
The Employment/Population Ratios of U.S. Teens 16-19 from  
January-March 2006 to January-March 2007 (Seasonally Adjusted, in %)

	(A)	(B)	(C)
Month	2006	2007	Percentage Point Change 2007 – 2006
January	36.7	36.4	-.3
February	37.1	35.9	-1.2
March	37.0	35.6	-1.4
January-March Average	36.9	36.0	-.9

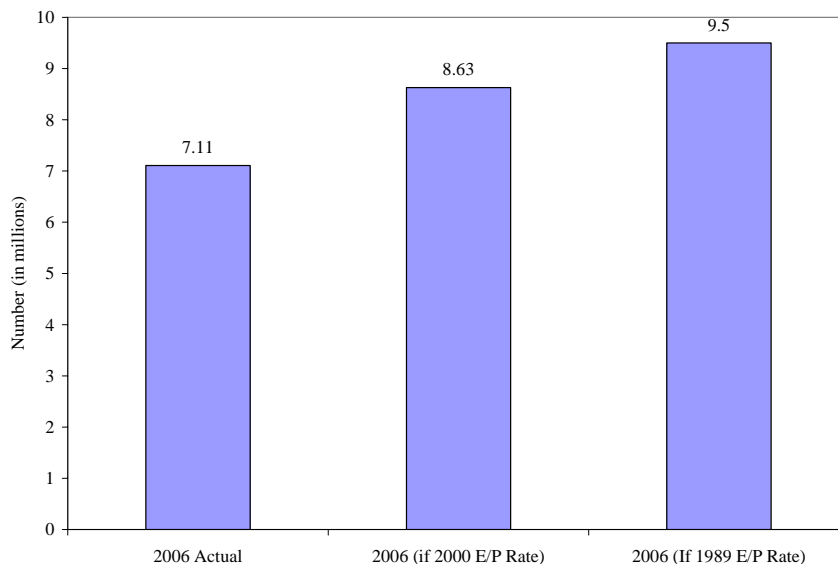
Source: U.S. Bureau of Labor Statistics, web site, tabulations by authors.

### **The Case for a National Summer Jobs Program**

There clearly is a need for a major job creation strategy for the nation's teens this summer. This national job creation effort would be aimed at restoring teen employment levels to those prevailing in the summers of 2000 and 1989, the last two peak years, and reducing the large gaps in teen employment rates across race-ethnic, family income, and geographic groups. Eligibility for the program would not be strictly based on the family income of the youth; however, one half of the participants would be expected to be members of low income families.

The magnitude of the summer job deficits facing teens is quite substantial. To illustrate the size of these job deficits, we have compared the estimated number of teens actually employed in the summer of 2006 with the number that would have been employed if the summer teen employment rates of 2000 and 1989 had prevailed. Last summer, only 7.11 million teens worked on average during the months of June-August (Chart 3). The number of employed teens would have been 8.63 million, or 1.52 million higher, if the 2000 summer teen employment rate had prevailed and 9.5 million, or 2.4 million higher if the summer 1989 employment rate had prevailed. The loss in teen job opportunities has become extraordinarily high, depriving teens of a chance to obtain work experience, develop the soft employability skills desired by employers, and receive earnings to support their own personal consumption and contribute to their family's economic well-being, especially among low income youth.

Chart 3:  
Comparisons of the Number of Teens (16-19) That Were Employed During the Summer of 2006  
With the Number That Would Have Been Employed If the Teen Employment Rates in the  
Summer of 2000 and 1989 Had Prevailed



In past decades, there was strong bipartisan support for providing summer jobs for teens. The U.S. Congress and the Bush Administration should jointly propose and pass legislation to provide up to 1 million subsidized jobs for the nation’s teens this summer (See the Appendix for a description of the proposed legislation). Providing this number of jobs offering an average of 30 hours of paid work per week for 10 weeks at an average hourly wage of \$6.75 plus benefits and supervisory support would cost approximately \$2.43 billion.<sup>6</sup> Monies would be allocated to states on the basis of an allocation formula that took into equal consideration both the state’s percentage share of the number of jobless teens in 2006 and its share of the number of economically disadvantaged teens.<sup>7</sup> Up to 20 percent of the monies authorized by the legislation would be set aside by the federal government to match state contributions for subsidized summer jobs programs to encourage states to supplement the federal job creation effort. States could use some portion of the monies to subsidize wages for newly-hired teens in private-for-profit firms.

<sup>6</sup> The average wages would be expected to vary from state to state based on differences in state minimum wage laws and local wages. No state would be allowed to pay more than the prevailing state minimum wage.

<sup>7</sup> The income criterion for defining economically disadvantaged youth would be 200 percent of the federal government’s poverty income threshold for a family of the size and age composition of the applicant.

Each local program receiving summer job funding under the act would be required to collect common data on the demographic and socioeconomic characteristics of all youth participants similar to that currently collected under the existing WIA system. They also would be required to report micro-level data on the types of jobs obtained by youth, including their occupational titles, their employers, and their length of stay on the job. Youth would receive instruction in employability skills/ career planning and literacy/ math skills on or off the job. Employers would be asked to rate the quality of the work performance and behavior of youth, and the youth would be asked to rate the quality of their work experience in the program. Local programs would be required to track the school enrollment and employment status of participants in the month following their termination from the summer jobs program.

## Appendix

Appendix Table A-1:  
Summer 2006 Teen Employment Rates in Selected Low Employment and High Employment  
States (in %)

Low		High	
State	Teen E/P Rate	State	Teen E/P Rate
Mississippi	31.7	Montana	58.4
California	34.0	New Hampshire	58.6
New York	34.1	Idaho	59.0
D.C.	34.7	Nebraska	62.3
West Virginia	35.1	Iowa	63.8
Louisiana	38.3	South Dakota	71.9

Source: June, July, August 2006 CPS Surveys, public use files, tabulations by authors

## **The Summer Jobs and Learning Opportunities for America's Teens Act of 2007**

Recognizing the unprecedented drop in summer job opportunities for the nation's teens (16-19) in recent years and the need for simultaneously improving the employability and literacy skills of teens, the U.S. Congress hereby proposes the Summer Jobs and Learning Opportunities Act of 2007. The Act is designed to provide up to 1 million additional job opportunities for the nation's teenagers, including subsidized jobs in the public and non-profit sectors and wage subsidies for private sector firms employing targeted youth. Minority teens, younger teens (16-17), and those from low income families and neighborhoods have found it particularly difficult to obtain summer employment in recent years.

The proposed job creation program will aim to provide no less than 50 percent of the jobs for youth living in low income families; i.e., those with an income below 200 percent of the federal government's poverty line. Both states and local governments providing their own resources to create additional jobs for teens in their jurisdiction will be given federal matching funds under the legislation as an incentive for expanding state and local efforts to provide jobs for teens.

While opportunities for more teens to obtain meaningful work experience and develop basic employability skills are the primary objectives of the Act, the program also will provide a diverse array of learning activities for participants. These learning components, both on and off the job, will be aimed at boosting the reading, writing, math, and science competencies of youth participants. These educational activities are particularly important in preventing summer learning losses among economically disadvantaged youth and strengthening their participation for school work in the fall term.

All state and local WIA organizations receiving funding under the Act will be required to engage in a coordinated set of monitoring and evaluation activities to guarantee that the program funds are being efficiently utilized and the goals are being accomplished. These activities will include active monitoring of work sites to guarantee that youth are receiving meaningful work assignments, measurements of the value of work produced by program participants, assessments of the quality of program services by participants and their employers, and measurement of the volume, intensity, and outcomes of the summer learning activities. Each participant will be followed up one month after program termination to identify their school enrollment and employment status.