

The Historically Low 2009 Summer Teen Employment Rate: The  
Massive Rate of Teen Labor Underutilization and the Case for a New,  
More Comprehensive Set of Youth Jobs Programs

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## Introduction

The nation's summer teen job market has been extremely depressed in the past few years, with record low employment rates prevailing in the summers of 2007 and 2008 and extremely low employment rates among most minority and low income youth. The overall weakness of the nation's youth and adult labor markets in the first few months of this year led the Center for Labor Market Studies of Northeastern University to project a new record low teen summer employment rate of 31% (seasonally adjusted).<sup>1</sup> Given the U.S. Congress' passage of the American Recovery and Reinvestment Act of 2009 earlier in this year, which provided \$1.2 billion to state and local Workforce Investment Boards to create summer and year-round jobs for low income 14-24 year olds across the nation, we boosted our projected summer teen employment rate to 32.1%. This employment rate unfortunately would still have represented a new post-World War II low for the nation's teens.

In early July, the U.S. Bureau of Labor Statistics released the findings of the national Current Population Survey for the month of June. The estimated teen employment rate (seasonally adjusted) for June was a depressingly low 29.3%. On August 7, the U.S. Bureau of Labor Statistics issued The Employment Situation for the month of July.<sup>2</sup> Nationally, the jobs picture remained highly depressed. The number of nonfarm wage and salary jobs on the payrolls of private sector firms and government agencies was estimated to have declined by nearly another 250,000. The nation's overall unemployment rate for July was estimated at 9.4%, or a .1 percentage point below the June rate of 9.5%. Much of the local and national media (radio, TV, and print) tried to read some good news into this development, but a careful review of the labor market forces generating this modest decline in the unemployment rate revealed otherwise. As Bob Herbert noted in a New York Times column shortly after the release: "It (the unemployment rate) ticked down by .1 percent because 450,000 people withdrew from the labor market. They stopped looking so they weren't counted as unemployed."<sup>3</sup>

Despite the hiring of several hundred thousand low income youth in summer jobs under the WIA Title I youth programs, the July employment rate (seasonally adjusted) for the nation's

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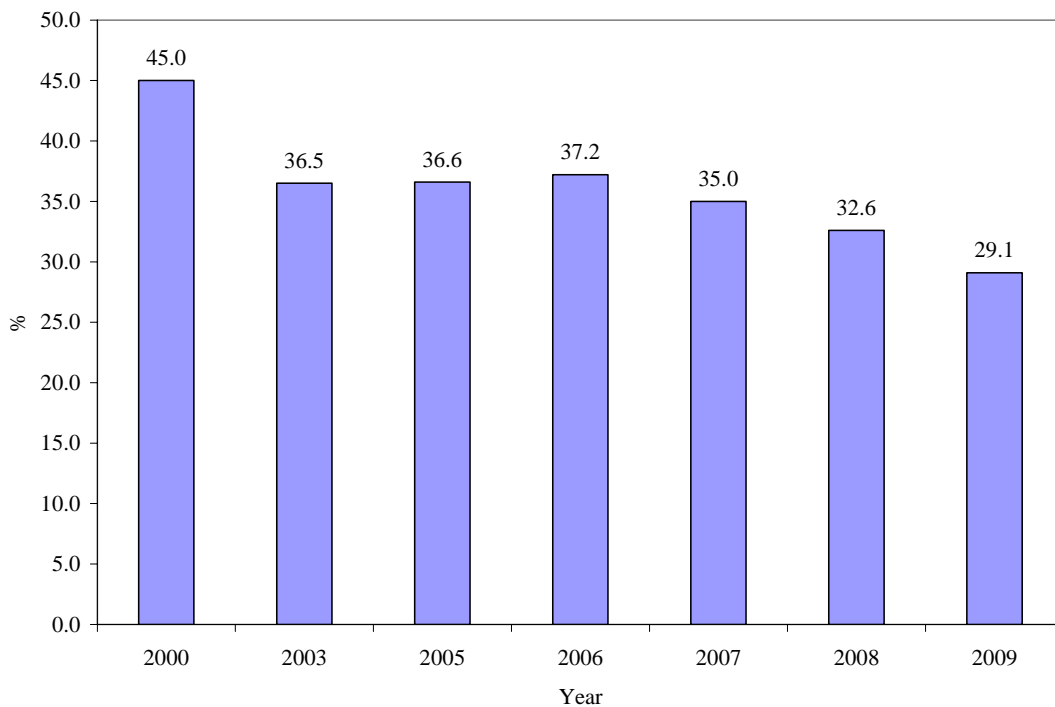
<sup>1</sup> See: Andrew Sum, Joseph McLaughlin, and Sheila Palma, The Current Depression in Teen Labor Markets and the Summer 2009 Teen Job Outlook, Center for Labor Market Studies, Northeastern University, Boston, 2009; A report prepared for the Charles S. Mott Foundation, Flint, Michigan.

<sup>2</sup> See: U.S. Bureau of Labor Statistics, The Employment Situation: July 2009, Washington, D.C., August 7, 2009.

<sup>3</sup> Bob Herbert, "A Scary Reality," The New York Times, August 11, 2009.

teens fell to 28.9%, yielding a two month (June-July) average of 29.1%, or 3 full percentage points below our projected summer employment rate for teens this year.<sup>4</sup> This 29.1% average employment rate was the lowest June-July average employment rate ever recorded for teens since the end of World War II. This marked the third summer in a row that a new record low was established. The summer 2009 teen employment rate was 16 percentage points below its value in the summer of 2000 when the teen E/P ratio for June-July hit 45 percent (Chart 1).

Chart 1:  
June-July Summer Employment Rates of U.S. Teens (16-19), Selected Years 2000-2009  
(Seasonally Adjusted, in %)



Source: U.S. Bureau of Labor Statistics, “Labor Force Statistics From the Current Population Survey,” web site, tabulations by authors.

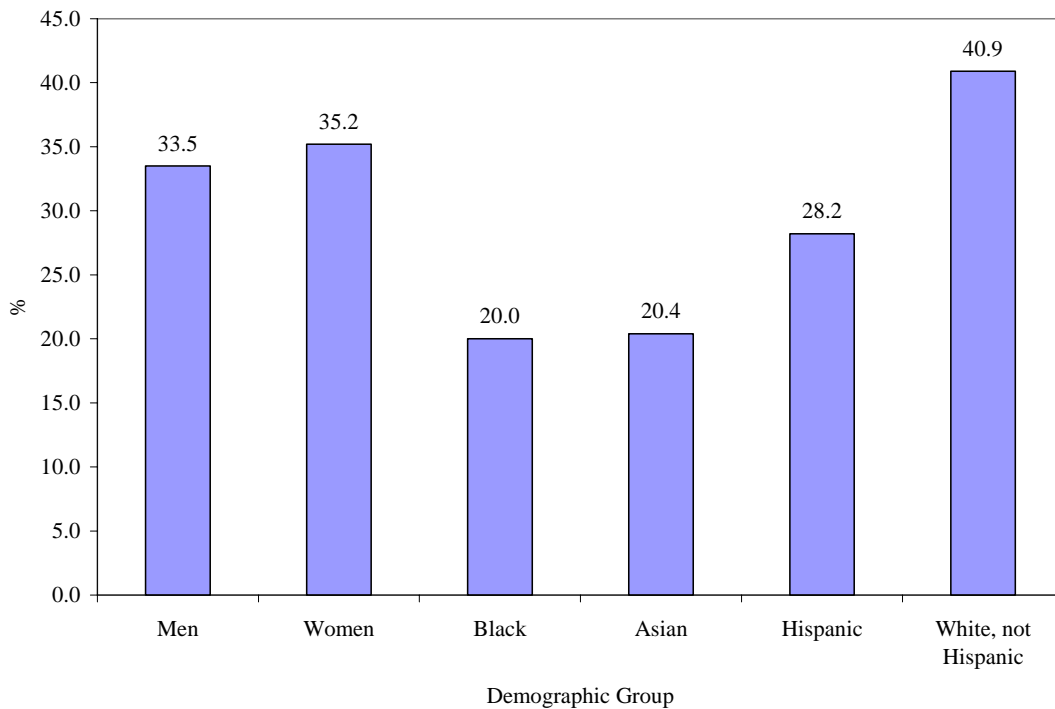
### **Summer 2009 Employment Rates for Demographic and Socioeconomic Groups of Teens**

While every major demographic and geographic group of teens in the U.S. has experienced steep declines in their summer and year-round employment rates in recent years, the

<sup>4</sup> See: Andrew Sum, Joe McLaughlin, and Shaun O’Brien, Nation’s Teen Summer Employment Rate Hits New Post-World War II Low: Effects of Federal Youth Job Creation Programs Overwhelmed By Private Sector Reductions in Teen Hiring, Center for Labor Market Studies, Northeastern University, Boston, July 2009.

ability of teens to obtain some employment continues to vary, often times quite considerably, across gender, race-ethnic, and family income groups as well as geographic areas (regions, states, cities). For the June-July period, the average non-seasonally adjusted employment rate for the nation’s teens was slightly under 34%.<sup>5</sup> For the eighth summer in a row, female teens were employed at a modestly higher rate than boys (35% vs. 33%). (Chart 2). The gaps in summer teen employment rates were considerably higher across the four major race-ethnic groups, ranging from lows of only 20 percent among Black and Asian youth to 28% among Hispanics and to a high of nearly 41% among white, non-Hispanic youth. These white, non-Hispanic teens were twice as likely to have worked in June-July as their Asian and Black Peers.

Chart 2:  
June-July 2009 Employment Rates of U.S. Teens (16-19), By Gender and Race-Ethnic Group  
(Not Seasonally Adjusted, in %)

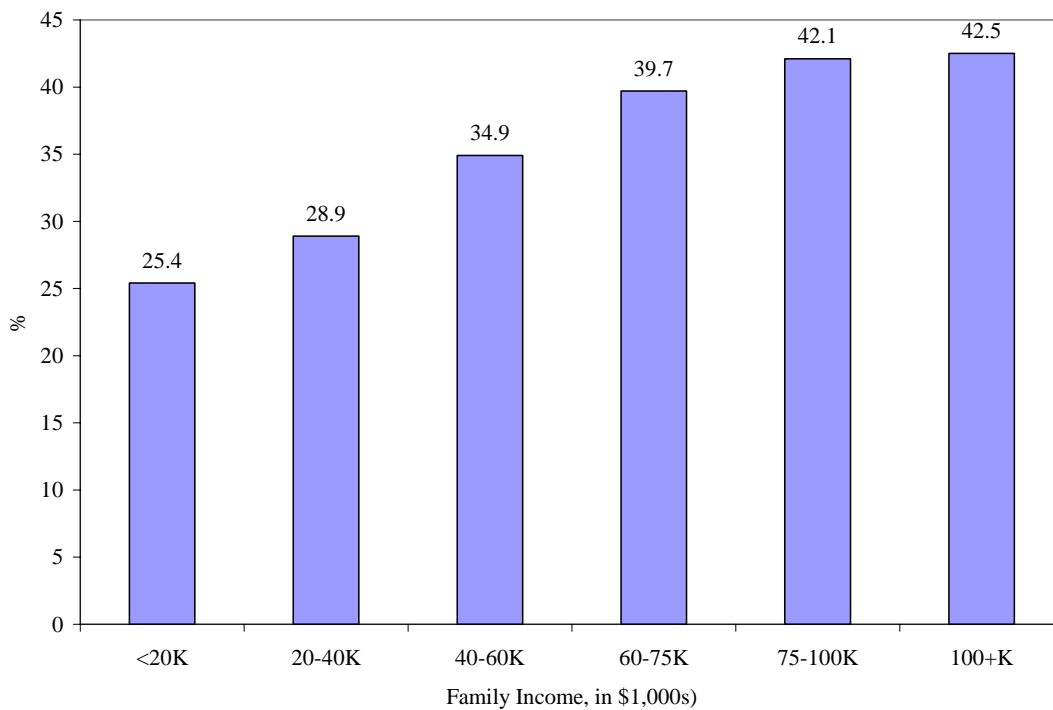


The summer 2009 employment rates of the nation’s teens also varied quite considerably by their families’ income levels, a finding that was similar to those for nearly all previous years. The 2009 employment rates of teens tended to rise steadily and fairly substantially as we move from the lowest income youth to their middle and upper middle income peers. (Chart 3). Among

<sup>5</sup> The BLS provides seasonally adjusted teen employment rates for boys and girls and for Black and White teens but not for Asians, Hispanics, White, non-Hispanics, or any income group.

those youth living in families with an annual income under \$20,000 only 25 of every 100 teens were employed during the June-July period. The employment rates of teens increased to 29 percent for those in families with incomes between \$20 and \$40 thousand, to 35 percent for those in families with incomes between \$40 and \$60,000, to just below 40 percent for those with incomes between \$60 and \$75,000, and to highs of over 42% for those in families with incomes above \$75,000. Only as family incomes top \$150,000 do we observe any moderating declines in teen summer employment rates. Despite the existence of a federally funded summer jobs program for economically disadvantaged youth for the first time in nine years this summer, the nation’s low income youth remained the least likely to be employed, and minority low income youth fared even worse.

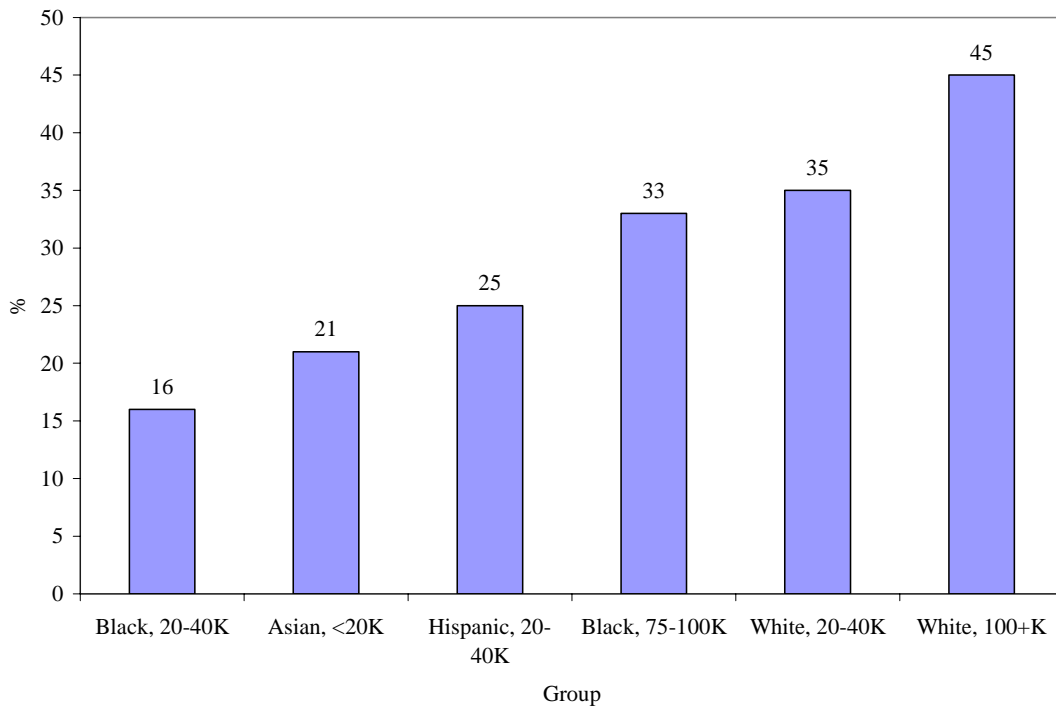
Chart 3:  
June-July 2009 Employment Rates of U.S. Teens (16-19) By Family Income Group (Not  
Seasonally Adjusted, in %)



The employment rates of teens in each of the four race-ethnic groups tended to rise with their family incomes. Among the exceptions to this general rule were low income, black youth (under \$20,000) whose employment rate was above that of their peers with family incomes between \$20 and \$40,000 (21% vs. 16%). The job creation effects of summer WIA youth programs likely contributed to this finding since many youth with family incomes above \$25,000

would not have been eligible for participation in such programs. The employment rates of teens in race-ethnic/family income groups varied widely in the summer of 2009. They ranged from a low of 16% for Black teens in families with low middle incomes (\$20-\$40,000) to 25% for Hispanic youth in such families to 33% for Black youth in families with incomes between \$75 and \$100,000, and to a high of 45% for white, non-Hispanic youth in families with incomes over \$100,000. (Chart 4). This last group of affluent, white teens was three times as likely to have worked as black youth in low to low middle income families this past summer, an extraordinarily large employment gap.

Chart 4:  
June-July 2009 Employment Rates of Teens in Selected Race-Ethnic/ Family Income Groups  
(Two Month Averages, in %)



### **The Official Unemployment, Hidden Unemployment, and Other Labor Underutilization Problems of U.S. Teens in 2009**

The nation's teen summer employment rate reached a new historical low this summer, and there were extremely large gaps in summer employment rates across race-ethnic and income

groups of youth.<sup>6</sup> Joblessness rates were highest among low income and minority youth, key target groups for many of the nation's past youth workforce development programs. The steep and continuous deterioration in youth labor markets since the end of the national labor market boom of the 1992-2000 period has often been met with media stories focusing on the potential lack of interest in jobs by teens (working on nothing but their tans or hanging out at the malls or not needing to work due to family affluence) or their supposed interest in other summer pursuits such as volunteering or attending academic summer camps or unpaid internships.<sup>7</sup> Concern with real world evidence has seldom been felt by these reporters.

While there clearly are a large contingent of teens who do not seek summer or year-round employment, we find the existence of a very substantial pool of teens who are members of the open unemployed (the official unemployed as measured by the monthly Current Population Surveys), the so-called hidden unemployed or labor force reserve, and the underemployed. The open unemployed are the teens who meet the official definition of the unemployed.<sup>8</sup> They must meet the following three criteria: no work for pay or profit in the reference week of the CPS survey<sup>9</sup>, actively looked for work in the past 4 weeks, and was available to work in the reference week.<sup>10</sup> (Chart 5).

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<sup>6</sup> The August 2009 employment data for teens will be released by the U.S. Bureau of Labor Statistics in early September. Their availability will allow us to estimate the teen employment rate for the entire June-August period.

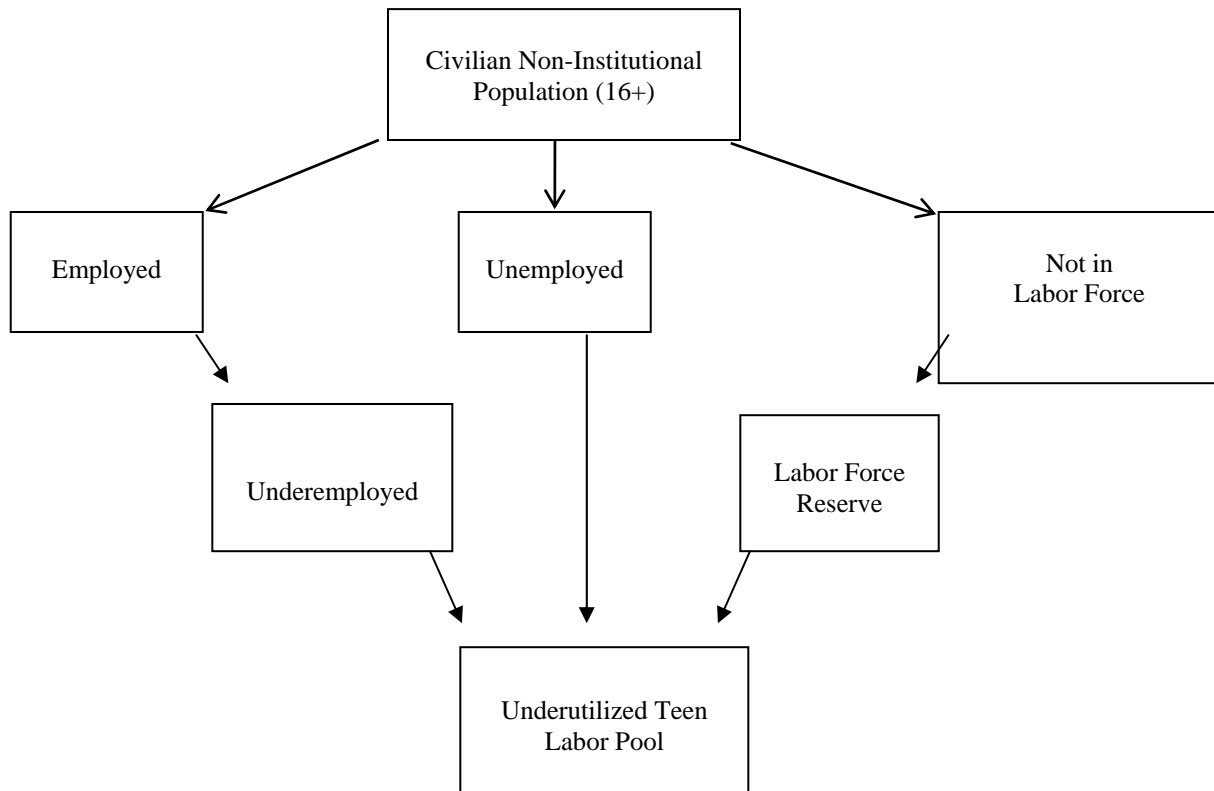
<sup>7</sup> For examples of such articles, see: (i) David Cho, "Working on Nothing But a Tan: Many Teenagers Decide They Can Do Without Summer Jobs," The Washington Post, June 16, 2002, p. C1; (ii) "More Teens Shun Summer Jobs," CNN web site, July 7, 2002; (iii) Leigh-Ann Jackson, "The Elusive Summer Job," The Austin American Statesman, July 29, 2002, p. F1.

<sup>8</sup> For a detailed review of the unemployment measures of the U.S. Bureau of Labor Statistics, see: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 2007, Washington, D.C., 2007.

<sup>9</sup> The reference week is the calendar week prior to the week of the CPS survey, which takes place during the week containing the 19<sup>th</sup> day of the month.

<sup>10</sup> Passive job search activities, such as reading the want ads or surfing internet job sites, do not count in determining whether one is unemployed.

Chart 5:  
Identifying the Pool of Underutilized Teen Workers (16-19)



The underutilization problems of teens and adult workers (20+) go well beyond the official unemployment statistics. Another very large group of underutilized is the labor force reserve or so-called hidden unemployed. These are youth who express a desire for immediate employment to the CPS interviewer, but are not counted as unemployed since they do not meet the active job search test. The estimated pool of youth in the labor force reserve this summer was quite large, representing 1.206 million teens per month over the June-July period. The labor force reserve should not be confused with two other groups (the marginally attached and the discouraged workers) cited by the U.S. Bureau of Labor Statistics and other labor market researchers. Members of both of the latter groups are subsets of the labor force reserve. To be included in the pool of marginally attached, an individual must have looked for a job in the past year and been available to take a job in the reference week. A discouraged worker is a member of the marginally attached who cited personal (too young, too old, too poorly educated), or

economic discouragement reasons for not actively looking for work. In July 2009, among all persons 16+ in the labor force reserve, only 37 of every 100 were classified as marginally attached members and only 13 of every 100 were classified as discouraged workers.<sup>11</sup>

Our third pool of underutilized teen workers is the underemployed, i.e., those youth who are employed part-time (less than 35 hours per week) but desire full-time work. (See Chart 5). On average, during the months of June-July, there were nearly 777,000 teens who were working but were underemployed. The median weekly hours of work among underemployed teens typically fall in the 20-21 hours range, well below those of full time workers (38-40) hours. There are other economic advantages from full-time work, including higher hourly earnings, considerably higher weekly earnings, more frequent employee benefits, a greater likelihood of receiving informal or formal training from one's employment, and a higher return on such work experiences in the form of higher future wages.<sup>12</sup>

There are other forms of labor underutilization, including malemployment, that can be experienced by teens but we will not attempt to measure them due to limited data from the CPS. Malemployment refers to employed individuals who are working in jobs that do not fully utilize their technical/occupational skills or their formal education.<sup>13</sup> For example, recent graduates of vocational-technical schools may not be able to obtain jobs that are related to their field of training, or recent graduates of post-secondary training institutions and community colleges may not secure jobs related to their fields of study. The economic costs of malemployment include sharply lower weekly wages and annual earnings and a lower private and social return on educational and training investments.<sup>14</sup> While the monthly CPS survey does track the educational attainment of respondents, it does not collect data on their training backgrounds.

Given the data on the estimated numbers of unemployed teens, those in the labor force reserve, and the underemployed, we can combine these three mutually exclusive groups to estimate the pool of underutilized labor and the underutilization rate. The underutilization rate

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<sup>11</sup> See: U.S. Bureau of Labor Statistics, The Employment Situation: July 2009, "Table A-13."

<sup>12</sup> For an overview of the economic advantages of full-time employment for teens and young adults, see: Andrew Sum, Neeta Fogg, and Garth Mangum, Confronting the Youth Demographic Challenge: The Labor Market Problems of Out-of-School Youth, Sar Levitan Center for Social Policy Studies, Johns Hopkins University, Baltimore, MD, 2000.

<sup>13</sup> See: Frederick Harbison, Human Resources As the Wealth of Nations, Oxford University Press, New York, 1973.

<sup>14</sup> For a recent review of the earnings effects of mal-employment in Massachusetts, see: Andrew Sum, Ishwar Khatiwada, Joseph McLaughlin, Educational, Labor Market, and Social Indicators for 16-21 Year Olds in Massachusetts, Report Prepared for the Commonwealth Corporation, Boston, 2009.

represents the ratio of the pool of underutilized teen labor to the teen adjusted civilian labor force. The adjusted civilian labor force is simply the sum of the official civilian labor force and the labor force reserve. The members of the labor force reserve need to be added to the official civilian labor force since they are not included in the ranks of the regular labor force as measured by the U.S. Bureau of Labor Statistics.

### **Official Unemployment Problems of Teens in the June-July Period of 2009**

As is true for the nation's adult population, the first and largest component of the unutilized teen labor force consists of the official unemployed. During the June-July period of 2009, on average, there were 2.063 million unemployed teens (not seasonally adjusted).<sup>15</sup> This pool of unemployed teens represented slightly over 26% of the official civilian labor force, thus, the official unemployment rate for teens in the June-July period was 26.3%, the highest summer unemployment rate for teens in the past 61 years. The overall unemployment rate (not seasonally adjusted) for the nation over this same two month period was only 9.7% (Chart 6), and the unemployment rate for adults (20 and older) was only 9.0%. (Table 1, Chart 6). The teen unemployment rate so far this summer was nearly three times as high as that of adults, one of the highest ratios among OECD countries. In comparison to the extraordinarily high rate of unemployment among teens this summer, the nation's older workers (55+) experienced an unemployment rate of only 6.7%. The nation's teens faced an unemployment rate nearly four times as high as that of older workers, but segments of the national media, including USA Today, gave front page coverage to the unemployment plight of older males and paid little recognition to the depression in the teen labor market.

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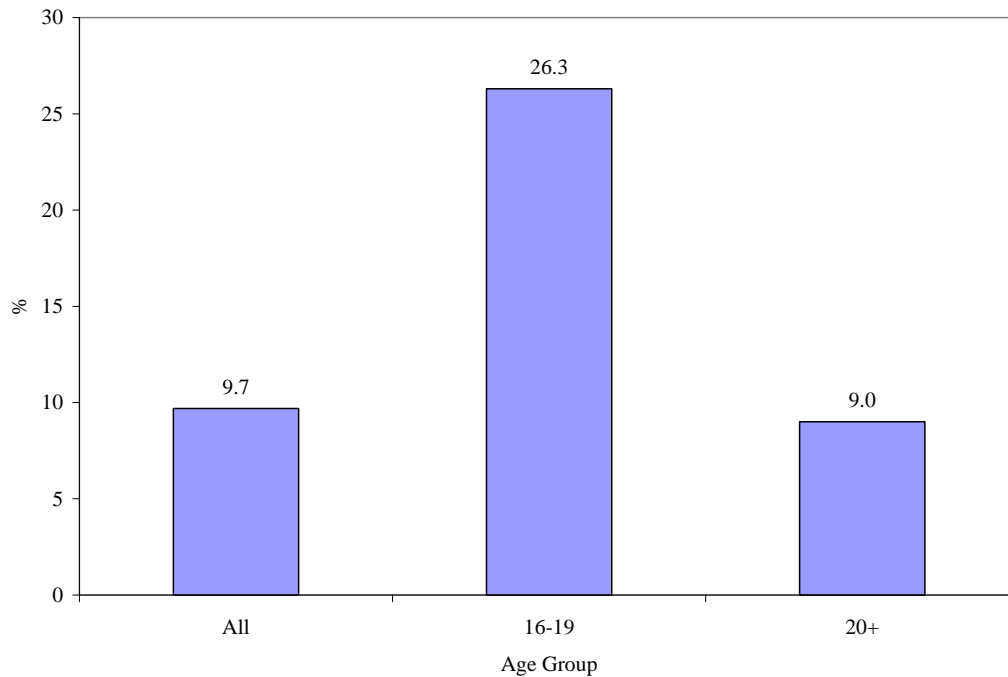
<sup>15</sup> Identifying the actual size of the underutilized labor pool of teens during the summer months requires use of the not seasonally adjusted data. We want to know the number of teens who were actually unemployed during the summer months as well as the actual numbers of other underutilized teens. Seasonal adjustment is not the proper procedure for such estimates.

Table 1:  
The Estimated Numbers of Unemployed Teens (16-19) and Adults (20+) and Their  
Unemployment Rates in June-July 2009 (Two Month Averages, Not Seasonally Adjusted)

	(A)	(B)
Labor Force Variable	Teens	Adults 20+
Civilian Labor Force	7,846	145,336
Unemployed	2,063	13,085
Unemployment Rate	26.3%	9.0%

Source: U.S. Bureau of Labor Statistics, The Employment Situation: July 2009.

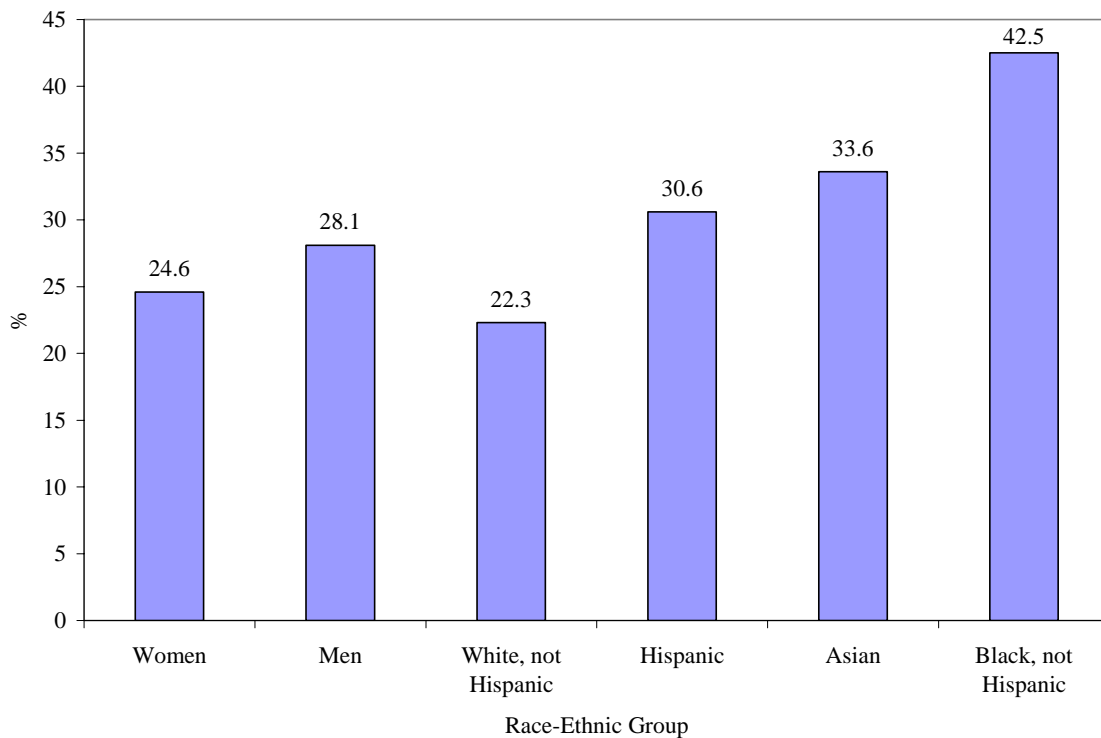
Chart 6:  
Unemployment Rates of All Persons (16+), Teens (16-19), and Adults (20+) in June-July 2009  
(Not Seasonally Adjusted, in %)



The official unemployment rates of the nation’s teens in the summer of 2009 varied, often considerably, across gender, race-ethnic, and family income groups. Reflecting their greater labor market difficulties, attributable in part to the nation’s failed immigration and industrial policies, males faced a higher unemployment rate than their female counterparts (28%

vs. 24%). (Chart 7). Unemployment rates varied far more substantially across race-ethnic groups, ranging from a low of 22 percent among white, non-Hispanics to 31 to 34 percent among Hispanics and Asians to a high of over 42 percent among Black, non-Hispanics. (Chart 7) The black teen unemployment rate in the June-July period of 2009 was at super depression levels, twice as high as that of white teens and nearly five times as high as that of all adults 20 and older.

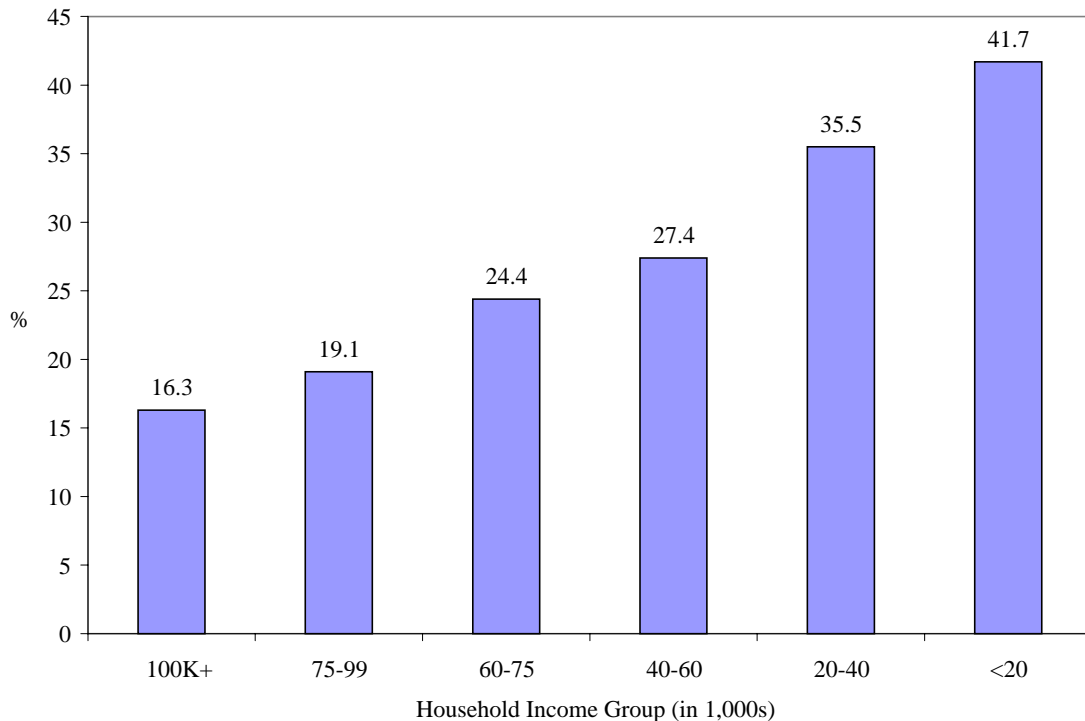
Chart 7:  
Unemployment Rates of Teens (16-19) by Gender and Major Race-Ethnic Group, June-July 2009 (Not Seasonally Adjusted, in %)



The unemployment rates of U.S. teens over the first two months of the summer of 2009 ranged considerably across family income groups. The lower the family income of a teen, the higher the unemployment rate. Teens living in the lowest income families (an income under \$20,000) faced an unemployment rate just under 42% versus 27% for those in families with incomes between \$40 and \$60 thousand, 19% for those with family incomes between \$75 and \$100,000, and only 16% for those with family incomes over \$100,000. Teens in the lowest income families (under \$20,000) faced unemployment rates that were 2.5 times as high as those

of youth in the most affluent families (over \$100,000). The existence of the federally funded WIA Youth Summer Jobs programs was unable by itself at given funding levels to have any substantive impact on the huge disparities in teen unemployment rates across family income groups. The nation's low income youth faced open unemployment rates that were well above those that prevailed among all workers at the depths of the Great Depression in 1932-33.<sup>16</sup>

Chart 8:  
Unemployment Rates of Teens (16-19) by Family Income Group, June-July 2009 (Not  
Seasonally Adjusted, in %)



The official teen unemployment statistics have been found in previous analyses dating back nearly three decades, including field research under the Youth Opportunities Grant program of the U.S. Department of Labor in the current decade, to underestimate the true unemployment rates of youth, especially among teens in low income neighborhoods and in low income families. The CPS household survey often collects data on the labor force activities of teens from their parents, especially their mothers, rather than directly from the youth themselves. Labor force

<sup>16</sup> The overall unemployment rate in the U.S. in 1932 was estimated to be close to 24%.

survey data collected directly from the teens themselves yields a higher level of unemployment and a modestly higher level of employment, especially in part time jobs in the informal labor market; e.g., babysitting, lawn cutting, maintenance work.<sup>17</sup> The estimated unemployment rates of teens from the CPS surveys, thus, understate their true unemployment rates.

The labor force behavior of the nation's teens has been shown repeatedly over the decades to be cyclically sensitive. Strong labor market conditions attract more teens into the labor force in search of employment while depressed labor market conditions, such as those during the current deep recession, discourage teens from entering the labor force. Brief periods of unsuccessful job search will be followed by labor force withdrawals. Youth not actively looking for work will not be classified as unemployed in the CPS household survey even though they may wish to be employed. The monthly CPS labor force questionnaire does include a set of questions on the current job desires of those individuals not actively participating in the civilian labor force. They are asked whether they wish to be employed at the time of the survey. Those who respond "yes" or "maybe" to this question are classified by the U.S. Bureau of Labor Statistics as "wanting a job now." We refer to this group as the labor force reserve.<sup>18</sup>

A very large number of teens were members of the labor force reserve in the June-July period. There were 1.205 million teens who were estimated to be in the labor force reserve, accounting for one of every five members of the labor force reserve in the entire country (Table 2). The combined sum of the official unemployed and the labor force reserve was just under 3.3 million, yielding an adjusted unemployment rate of 36%. The pool of open unemployed and hidden unemployed among boys and girls was very high, yielding adjusted unemployment rates in the 34 to 38 percent range.

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<sup>17</sup> See: (i) Richard B. Freeman and James Medoff, "Why Does the Rate of Youth Labor Force Activity Differ Across Surveys?" in The Youth Labor Market Problem: Its Nature, Causes, and Consequences (Editors: Richard Freeman and David A. Wise), National Bureau of Economic Research, University of Chicago Press, 1982; (ii) Richard Santos, The Employment Status of Youth in Pathways to the Future: A Longitudinal Study of Young Americans, Center for Human Resource Research, Ohio State University, Columbus, 1980.

<sup>18</sup> In the late 1970's, Eli Ginzberg referred to this group as the labor force overhang. See: Eli Ginzberg, Good Jobs, Bad Jobs, No Jobs, Harvard University Press, Cambridge, 1979.

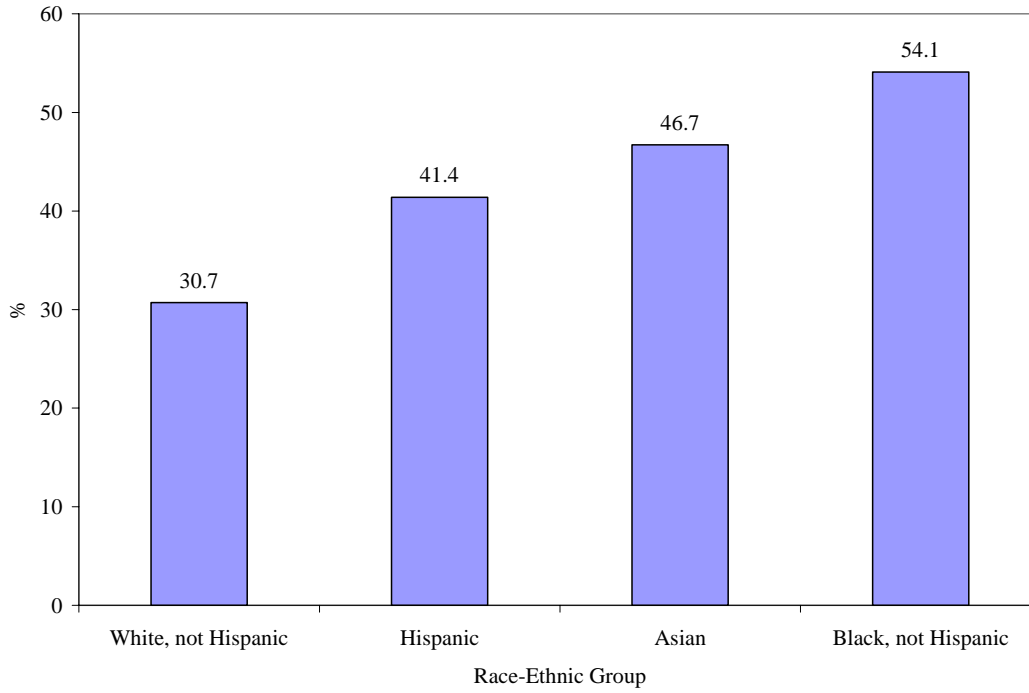
Table 2:  
Estimating the Underutilized Labor Pool and Underutilization Rate of Persons 16-19 in the U.S.,  
June-July 2009

Category	(A) Labor Force Reserve (LFR)	(B) Unemployed	(C) LFR + Unemployed	(D) Adjusted Civilian Labor Force (CLF)	(E) Unemployed + LFR/ Adjusted CLF
All	1,205	2,094	3,299	9,152	36.0
Men	624	1,129	1,753	4,646	37.7
Women	582	964	1,546	4,507	34.3
Asian	45	63	108	231	46.7
Black, not Hispanic	226	382	608	1,123	54.1
Hispanic	235	389	624	1,505	41.4
White, not-Hispanic	653	1,192	1,845	6,004	30.7

Source: June-July 2009 CPS public use files, tabulations by authors.

While teens in each of the four major race-ethnic groups faced very high adjusted unemployment rates in the June-July period, the gaps in the size of these rates also were quite large. (Table 2 and Chart 9) The adjusted unemployment rates of teens ranged from slightly under 31% among white, non-Hispanic teens to 41% among Hispanics and to a high of 54% among black, non-Hispanic teens. Among Black youth, there were more open and hidden unemployed (608,000) than there were employed teens during the June-July period of 2009.

Chart 9:  
The Ratio of Open and Hidden Unemployed To the Adjusted Civilian Labor Force By Major  
Race-Ethnic Group in June-July 2009 (16-19 Year Olds)



As noted earlier, the underemployed are those youth who are working part-time during the reference week of the survey but desiring full time work. During the June-July period of 2009, on average, there were 777,000 underemployed teens accounting for slightly over 13% of all employed teens (Table 3). Males were modestly more likely than women to be underemployed (14% vs. 12%), and both Blacks and Hispanics were modestly more likely to be underemployed than their white, non-Hispanic peers (15% vs. 12%). Employed teens were twice as likely as adults (20+) to be underemployed this past summer. These underemployment problems reduced their summer earnings, their cumulative work experience, and likely their future earnings from employment.

Table 3:  
The Number of Underemployed Teens (16-19), Total and As a Percent of the Employed, All and  
By Gender and Race-Ethnic Group, June-July 2009 Averages (Numbers in 1,000s, Not  
Seasonally Adjusted)

Category	(A)	(B)	(C)
	Underemployed 16-19	Employed 16-19	Underemployed as % of Employed
All	777	5,854	13.3
Men	404	2,893	14.0
Women	373	2,961	12.6
Asian	18	124	14.5
Black, not Hispanic	80	516	15.5
Hispanic	136	881	15.4
White, not-Hispanic	508	4,159	12.2

### **The Combined Pool of Underutilized Teens in the Summer of 2009**

The findings on the estimated number of unemployed teens, the members of the labor force reserve, and the underemployed can be combined to generate an estimate of the pool of underutilized teens in the June-July period. (Table 4 and Chart 10) There were 2.094 million unemployed, 1.206 million members of the labor force reserve, and 777,000 underemployed youth.<sup>19</sup> The combined pool of underutilized teens was 4.076 million. The labor underutilization rate for the nation's teens was an astonishing 44.5%

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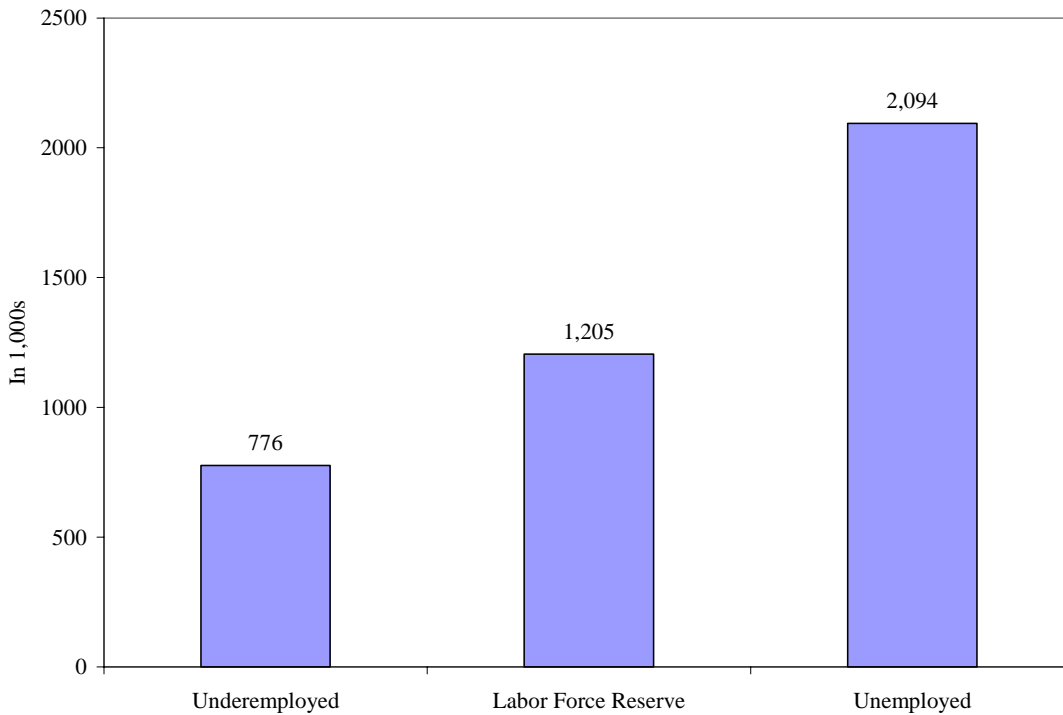
<sup>19</sup> The estimate of unemployed teens in Table 4 is based on our analysis of the CPS public use files. Our estimate differs slightly from the BLS estimate in The Employment Situation: July 2009.

Table 4:  
The Pool of Underutilized Teen Labor in the Summer of 2009 and the Estimated Underutilization Rate (Numbers in Millions, Not Seasonally Adjusted)

Variable	Value
Civilian Labor Force	7.947
Unemployed	2.094
Underemployed	.777
Labor Force Reserve	1.206
Underutilized Pool	4.076
Adjusted Civilian Labor Force*	9.153
Underutilization Rate	44.5%

Note: (\*) The adjusted civilian labor force is equal to the sum of the civilian labor force and the labor force reserve.

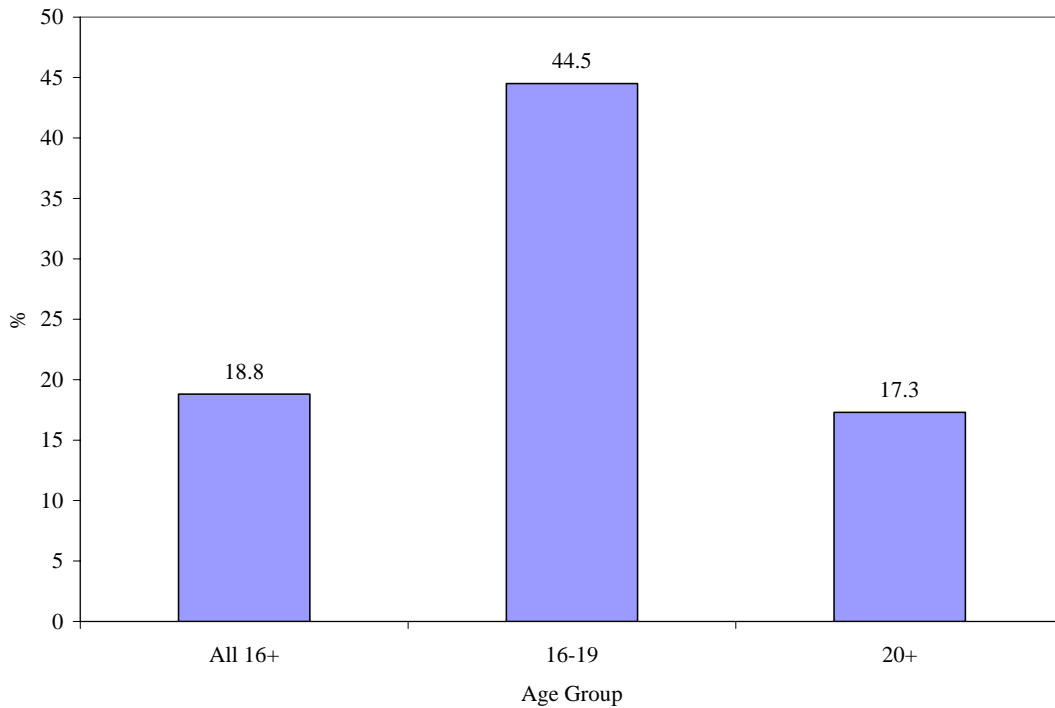
Chart 10:  
The Pool of Underutilized Teen Labor in the Summer of 2009 By Source, June-July Averages (Numbers in Thousands, Not Seasonally Adjusted)



The underutilization rate for the nation’s teens in June-July 2009 was markedly higher than that for all working age persons (16+) and for adults (20+). (Chart 11) For all working-age persons, the underutilization rate was 18.8%, and for adults 20 and older it was only 17.3%. The

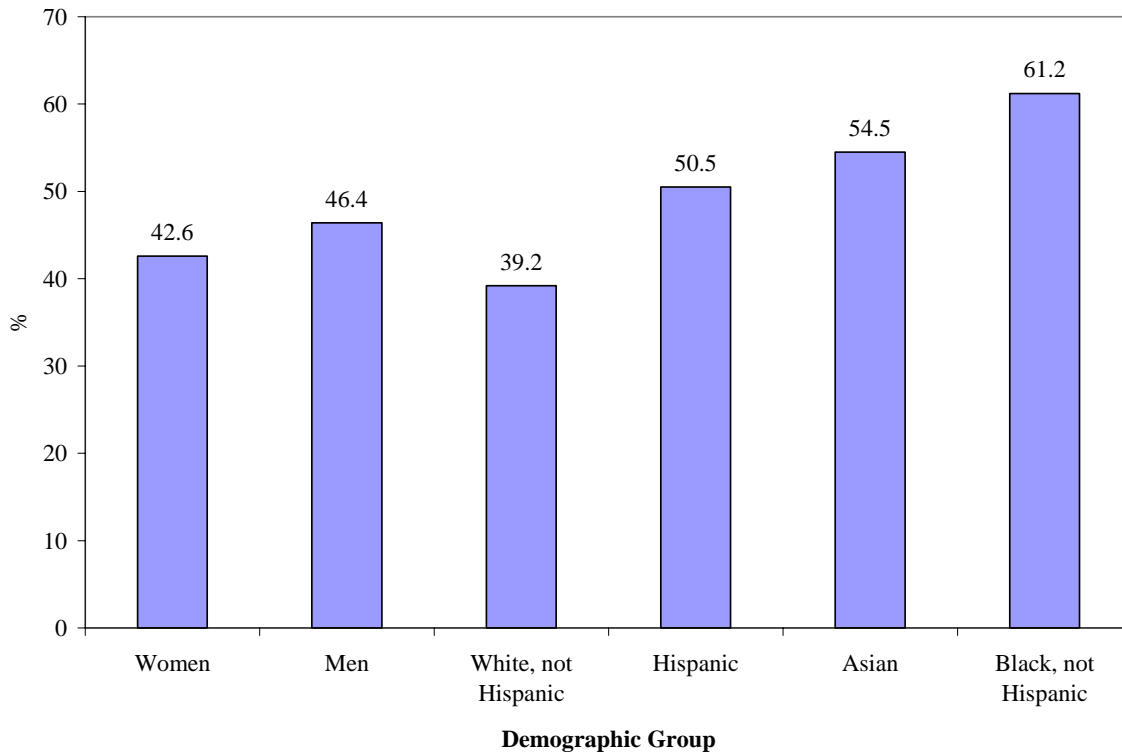
underutilization rate for teens was 2.6 times as high as that for adults (20+) and more than three times as high as that for the nation's 30-54 year olds.

**Chart 11:**  
Underutilization Rates of the Working-Age Population (16+) of the U.S., All, Teens, and Adults 20+, June-July 2009 (Two Month Averages, Not Seasonally Adjusted, in %)



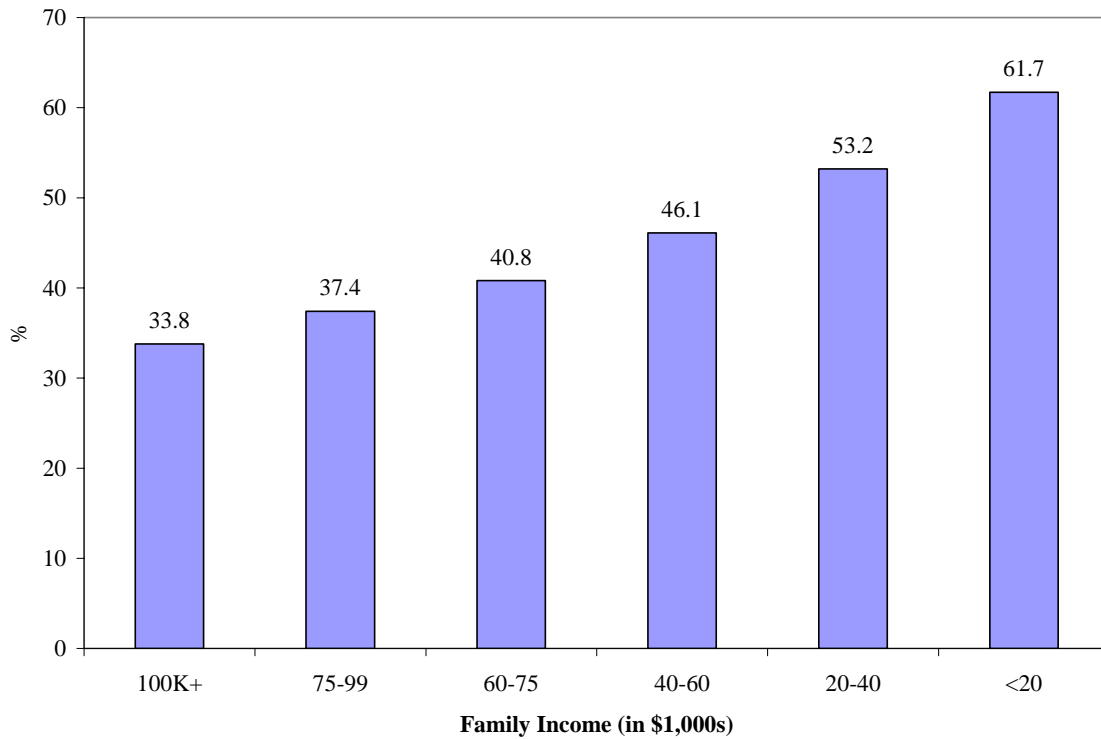
The labor underutilization rates of teens were extremely high among each gender and race-ethnic group, but were higher for men than for women (46% vs. 42%) due to higher unemployment and labor force reserve problems among male teens. (Chart 12) The labor underutilization rates of teens varied more widely across race-ethnic groups. The underutilization rate of white, non-Hispanic teens was 39% versus 50% for Hispanics and over 61% for Black teens. Between 5 and 6 of every 10 Hispanic and Black teens in the adjusted labor force were underutilized in the summer of 2009.

Chart 12:  
The Summer 2009 Labor Underutilization Rates of U.S. Teens By Gender and Major Race-  
Ethnic Group (June-July Averages, in %)



Given large variations in open unemployment and hidden unemployment among teens in different income groups, it is not surprising that labor underutilization rates varied substantially across income groups, being highest among those youths in the lowest income families and lowest among the most affluent. Underutilization rates in June-July 2009 ranged from a low of 34% among youth in families with annual incomes over \$100,000 to 41% for those residing in families with incomes between \$60 and \$75,000 to a high of nearly 62% for youth in the lowest income families (under \$20,000). Low income teens faced a labor underutilization rate that was twice as high as that of the most affluent teens, but no income group of teens avoided a very severe labor underutilization problem (Chart 13).

Chart 13:  
The Summer 2009 Labor Underutilization Rates of U.S. Teens by Family Income Group  
(June-July Averages, in %)

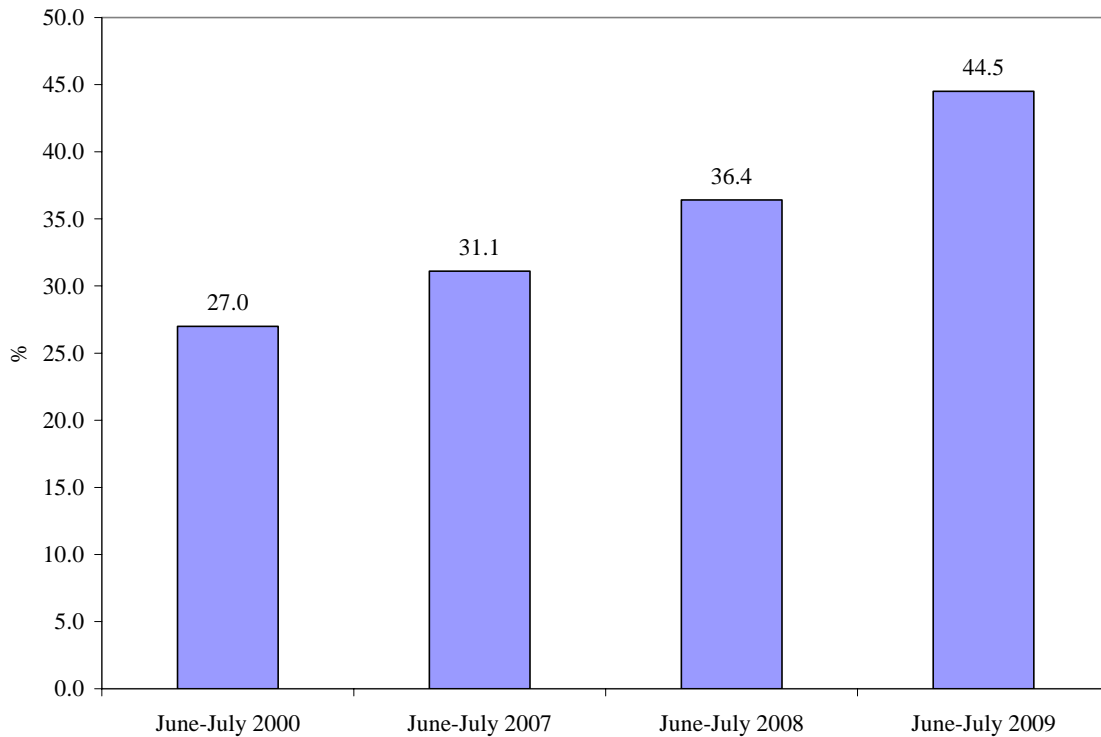


The 44.5% labor underutilization rate of the nation’s teens in June-July of this year was the highest by far of any over the past 10 years. The labor underutilization rate of teens has risen sharply over the past three years, increasing from 31% in the summer of 2007 to 36% in 2008 and to nearly 45% this summer (Chart 14). The teen labor underutilization rate this summer was two-thirds higher than it was in the summer of 2000. It is in fact the highest underutilization rate in the entire post-World War II era.<sup>20</sup>

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<sup>20</sup> The definition of underemployment was changed by the Bureau of Labor Statistics in 1994 when the CPS labor force questionnaire was revised. A more rigorous set of questions is used to identify those working part-time for economic reasons.

Chart 14:  
The Labor Underutilization Rates of Teens 16-19 in the Summers of 2000, 2007, 2008, and 2009, (June-July 2-Month Averages, in %)



The extremely sharp rise in the incidence of teen labor underutilization problems in recent years is quite unprecedented, representing a massive waste of unused labor that reduces both the current output and future output of the U.S. economy. Lost employment of youth today curtails both the work experience and employability skills of youth, including hard occupational/technical skills and the soft skills of punctuality, team work, customer relations, and working under supervision that many employers claim young workers lack in sufficient quantity.<sup>21</sup> These soft skills cannot be acquired in a classroom setting or by learning in isolation from work. They are learned by doing real world work for sustained periods of time.

The magnitude of the current teen labor underutilization problem is extraordinarily substantial. There were 4.08 million teens who were either unemployed, in the labor force

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<sup>21</sup> For a recent national survey of employer perceptions of youth job readiness, see: Conference Board and the Society for Human Resource Development, Are They Really Ready for Work? Employers' Perspectives on the Basic Knowledge and Applied Skills Of New Entrants to the 21<sup>st</sup> Century Workforce, New York City, 2006.

reserve, or underemployed. Of this group, just under 3.3 million were completely unutilized in June-July, being either officially unemployed or a member of the hidden unemployed; i.e., the labor force reserve. The combined size of these two groups was equivalent to 20% of the youth population. If these unutilized teens were put to work, the teen E/P ratio in June-July 2009 (not seasonally adjusted) would have risen from 34% to 54%. The true desire for employment by teens is likely even greater than this. Past efforts to guarantee jobs for youth in low income neighborhoods, such as the Youth Incentive Entitlement Pilot Project (YIEPP), were able to substantially raise the employment rates of teens in these areas.<sup>22</sup>

“But 10 percent of the workforce will still be unemployed... The recovery will not be an occasion for celebration. It will be tragic.”

Mike Sharpe  
“Recovery?”  
Challenge, July/August 2009

## **The Deeply Depressed Short-Term Outlook for Teen Employment**

As noted earlier in this report, recent teen employment rates have reached disastrously low levels, especially during the summer, despite the implementation of a very short-term federal jobs stimulus program for low income teens under the Workforce Investment Act. Teens this fall and through all of next year and likely through 2011 will face severe labor market problems, with declining employment rates and rising unemployment and other underutilization problems, including hidden unemployment as more youth withdraw from active labor force participation when employment opportunities dry up.

Nationally, the aggregate unemployment rate is projected by many economic analysts, including the Chair of the Council of Economic Advisors, to rise to at least 10% before it peaks.<sup>23</sup> The unemployment rate has been a lagging economic indicator in past recessions, especially the recession of 2001 when the national unemployment rate (seasonally adjusted) did not peak until 18-19 months after the end of the official recession in November 2001. If the

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<sup>22</sup> For a review of the YIEPP program’s design and employment impacts, see: Andrew Hahn and Robert Lerman, What Works in Youth Employment Policy, Committee on New American Realities, National Planning Association, Washington, D.C., 1982.

<sup>23</sup> Lori Montgomery, “Federal Deficit to Hit 1.6 Trillion, White House says,” The Boston Globe, August 26, 2009, p. A-2.

current national recession officially ended in October 2009 and a similar lag in unemployment occurred, the national unemployment rate would not peak until April-May 2011.

Overall, employment growth in the U.S. is likely to be nil in 2010 given the weakness of the projected recovery in real output. The median forecast for real GDP growth in 2010 is only 2.0%.<sup>24</sup> This level of real output growth is not large enough to create any substantive net increase in employment over the year. Rising labor productivity and a lengthening work week, particularly given the existing high levels of underemployment, could easily be used by employers to produce this modest increase in output without adding net new workers to their payrolls.<sup>25</sup> Since youth employment has tended to lag overall employment growth and in the recovery from the recession of 2001 showed no substantial gains until late 2005, national teen employment may decline through 2011 or even 2012 in the absence of any comprehensive new public policies to boost teen job opportunities. A wide array of coordinated job creation efforts in the private for profit sector, the non-profit sector, and the public sector will be needed to boost teen employment prospects in the near future. These could include wage subsidies, employer tax credits, and direct subsidized job creation programs, especially for youth in low income families, low income neighborhoods, and high unemployment areas across the country.<sup>26</sup> Failure to act decisively now to expand teen and young adult employment prospects will generate future employability and productivity losses for the nation's teens and young adults (20-24), reducing the nation's future real output potential as well as the future earnings of these young workers.

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<sup>24</sup> See: The Economist, "Economic and Financial Indicators, August 25, 2009, p. 85.

<sup>25</sup> For a similar view on the likely short term employment response to the recovery, see: "Help Not Wanted: The Outlook for Jobs in America," The Economist, August 15, 2009, pp. 58-59.

<sup>26</sup> In a recent Gallup/ USA Today poll, the American public provided much greater support for "government programs to help create jobs" than to bailouts of banks or U.S. automakers. See: Robert Blendon and John Benson, "America's Response To a Deep Recession," Challenge, July-August 2009, pp. 32-51.