

Research and Evaluation Brief

Facts, figures, and insights for workforce development practice and policy

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Youth Left Behind in the Labor Market

Introduction

Teens and young adults in Massachusetts have been uniquely affected by the deterioration in state labor markets since the end of the economic boom in 2000. This brief looks at changes in employment outcomes for teens (16-19) and out-of-school adults (16-24) in the state from 2000 through calendar year 2003.

Described here are the labor market behaviors of working-age populations using employment/population ratios for teens and young adults. This ratio represents the share of the civilian non-institutional population in a given age group that is employed. The value of this E/P ratio for any given demographic group is influenced by its labor force participation rate and its unemployment rate. The higher the participation rate and the lower the unemployment rate, the higher will be the employment/population ratio.

All of the estimates of the employment/population ratios of population groups in this brief are based on the findings of the Current Population Surveys (CPS) for calendar years 2000 and 2003. This survey is conducted monthly by the U.S. Census Bureau for the U.S. Department of Labor's Bureau of Labor Statistics. Each working-age household member is classified into one of the three following, mutually exclusive labor force categories: employed, unemployed, and out of the labor force.

The employed include wage and salary workers, the self-employed, private household workers, persons working without pay for 15 or more hours in family-owned businesses, and persons with jobs but not at work due to temporary illness, vacation, or weather-related reasons. The employment/population ratio for any given population subgroup represents the number of employed persons in that group (E) divided by the number of persons in the civilian noninstitutional population (P) in that group.

Trends in Employment Rates

At the height of the national labor market boom in 2000, 67.1% of all working-age persons (16 and older) in the U.S. were either working or actively looking for work. The labor force participation rate during that year tied with 1999 for the highest in the nation for the entire post-World War II era. The annual average unemployment rate in 2000 was only 4.0%, the lowest since 1969. As a consequence of this high participation rate and low unemployment rate, 64.4% of all working-age adults in the nation were employed in a typical month during that year, the highest E/P ratio in the nation's history.

Over the past three years, however, deterioration in national labor markets has pushed down the labor force participation rate and simultaneously pushed up the unemployment rate. As a consequence, the overall

REPORT FOCUS

Left Behind in the Labor Market: The Deterioration in the Employment Position of Massachusetts Teens and Non-College Educated Young Adults

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employment/population ratio for the nation declined by 2.1 percentage points. Given a civilian, non-institutional, working-age population of 221.2 million in 2003, a decline of 2.1 percentage points is equivalent to a reduction of 4.64 million employed persons.

The magnitude of the changes in the E/P ratios of the nation over this period varied considerably by age group. All age groups under 55 years of age experienced declines over this three-year period while other workers 55-64 and 65+ were more likely to be employed in 2003 than they were in 2000. The younger the age group, the more substantial the decline, with the nation's teens facing the largest decline in their E/P ratio (-8.4 percentage points) followed by young adults 20-24 (-4.4 percentage points) and those 25-29 years of age (-4.0 percentage points).

In Massachusetts, a steep rise in the state's unemployment rate from 2.6% in 2000 to 5.8% in 2003 helped push down the employment/population ratio by nearly two full percentage points over the past three years. Similar to developments across the nation, the state's

teenagers (16-19) incurred a very steep decline in their employment rate (-8.8 percentage points) while state residents 55 and older saw a 3.2 percentage point rise in their employment rate. Young adults (20-24) in Massachusetts also faced declining employment prospects, but overall they fared better than their national counterparts.

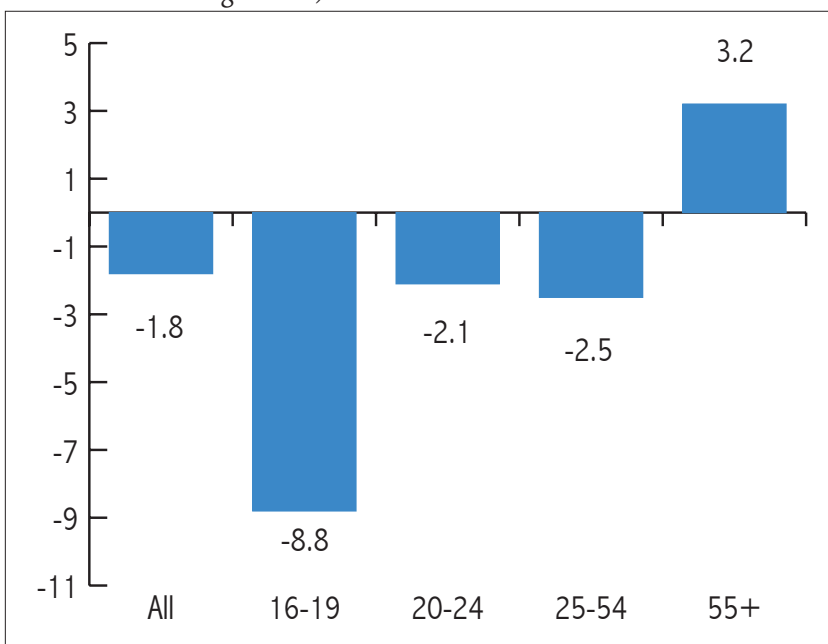
The State's Teens

The steep deterioration in state labor market conditions since early 2001, especially the drop in payroll employment of nearly 200,000 between January–February 2001 and November–December 2003, has taken a severe toll on employment opportunities for teens. In 2000, nearly 48 of every 100 teens in Massachusetts were employed during a typical month. By 2003, however, only 39% of the state's teens were working, a decline of nearly 9 percentage points, slightly exceeding that for the U.S. over the same time period. Declines in employment rates among the state's teens were substantial among both those enrolled in school (-7.1 percentage points) and those out-of-school (-9.5 percentage points). The latter group of teens includes both high school dropouts and young high school graduates not attending college. Only slightly more than one-half of all of these out-of-school 16-19 year olds were able to obtain any type of job during 2003, and a relatively high fraction of them were only working part-time.

Teens in each of the nation's twelve most populous states were adversely affected by changes in their labor markets over the past three years. The E/P ratios of teens in these states declined by six percentage points in Pennsylvania, Ohio, and New York to highs of 12 to 14 percentage points in Michigan, Illinois, and Georgia.

Teens in Massachusetts have been characterized by employment rates in the middle of the distribution for all 50 states in recent years. This is true of both teens enrolled in school (high school and college) and those out-of-school. In 2000, the E/P ratio for Massachusetts teens ranked only 26th highest among the 50 states, with enrolled youth faring slightly better than their non-enrolled counterparts. The E/P ratio of the state's

Figure 1: Changes in the Employment/Population Ratios of All Persons 16+ and in Selected Age Groups in Massachusetts, 2000 to 2003 (in Percentage Points)



teens in 2000, however, was 12 to 16 percentage points below those of the top five states, all from the Midwest region (Iowa, Minnesota, Nebraska, South Dakota, and Wisconsin).

In 2003, the state's ranking on the E/P ratio distribution for teens was 25th, again in the middle of the distribution, with out-of-school teens faring worse than their enrolled counterparts (a ranking of 30th versus 23rd). Again, the state's E/P ratio was 13 to 16 percentage points below the top five performers in the Midwest, whose teen employment rates ranged from 52% to 56% in 2003. Teens from economically disadvantaged backgrounds, high poverty areas, and Blacks/Hispanics tend to fare the worst in securing employment. Work during the teenage years tends to facilitate the transition from high school to the labor market and improve the real hourly wages of young adults in the early years after leaving high school.

The State's Young Adults

While joblessness has increased strongly among the nation's high school students and somewhat less among

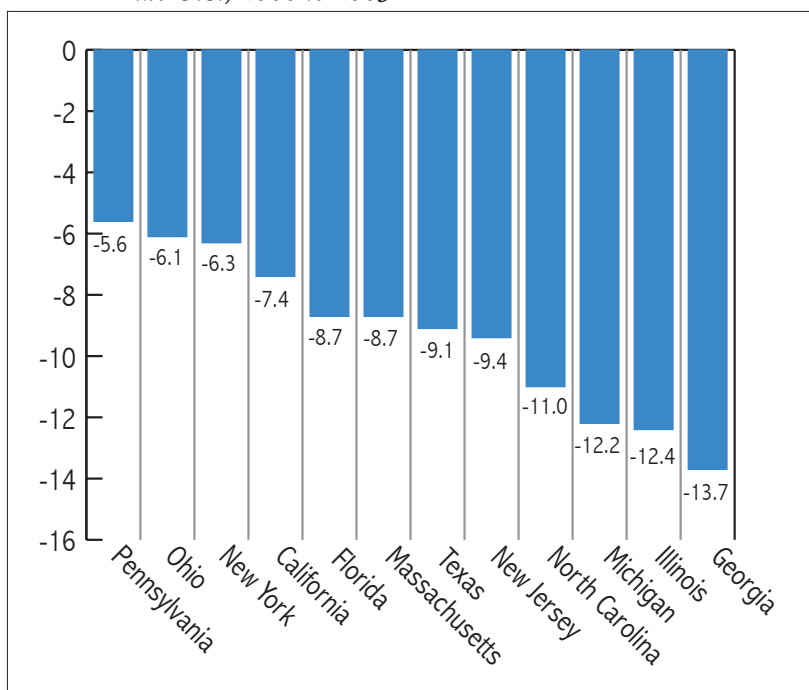
college students, there typically is greater concern among policymakers for the labor market fate of out-of-school young adults.

During calendar year 2000, the E/P ratio for all 16-24 year old out-of-school youth in Massachusetts was slightly over 75%, implying that three of every four such youth were employed. The employment rates of these out-of-school youth, however, varied widely by their educational attainment, ranging from a low of 59% among those lacking a high school diploma to a high of 88% among those holding a bachelor's or more advanced academic degree, a near 30 percentage point difference.

By 2003, the employment rate of these out-of-school young adults in our state had declined to slightly below 71%, representing a near five percentage point decline from its 2000 rate. Again, Massachusetts was not alone in experiencing such steep declines in employment among out-of-school young adults. In each of the nation's twelve most populous states, the E/P ratios of 16-24 year old adults declined between 2000 and 2003, with the size of these declines ranging from only 3 percentage points in Ohio, Texas, and California to highs of 8 to 12 percentage points in Florida and North Carolina.

Within Massachusetts, the magnitude of reductions in E/P ratios varied markedly across educational subgroups, ranging from a decline of nearly 15 percentage points among high school dropouts and 3 percentage points among high school graduates to a 2 percentage point increase among young four year college graduates. In 2003, young college graduates in Massachusetts were twice as likely to be employed as young high school dropouts (90% vs. 45%). National evidence suggests that a rising fraction of young college graduates (between one-third and 40%) have taken jobs outside of the traditional college labor market, consisting of professional, managerial, technical, and high-level sales positions. Their movement into service, clerical, and blue collar occupations has reduced employment op-

Figure 2: *Percentage Point Changes in Employment to Population Ratios of 16-19 Year Old Youth in the Twelve Most Populous States of the U.S., 2000 to 2003*



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opportunities for their less educated counterparts, thereby displacing young high school graduates and dropouts. These growing mal-employment problems among young college graduates reduces their real annual earnings and lowers the economic return on college investment.

In 2003, the employment rate of out-of-school young adults in Massachusetts was 2.4 percentage points above that of the nation, but the state again only ranked in the middle (24th) of the 50 state distribution on this employment measure. Young high school dropouts in Massachusetts were less likely to be employed than their national counterparts in 2003 (44% vs. 51%) and the state ranked 42nd on this employment measure. High school graduates in Massachusetts had the same employment rate as their national peers.

Young adults in Massachusetts with some post-secondary schooling were somewhat more likely to be employed than their national counterparts in 2003, and their employment rates ranked in the upper one-third of the state distribution (18th for those with 1-3 years of college and 16th for those with a bachelor's or higher degree). In 2003, formal education was playing a key role in sorting the states' young adults into the ranks of the employed and the jobless. Those young adults without any post-secondary schooling were bearing the brunt of the job losses among their age cohort.

Workforce Development Implications

During the past three years, deteriorating labor market conditions in Massachusetts and the U.S. have substantially reduced employment opportunities for teens and young out-of-school adults. In our state, teens were more adversely affected by these developments than any other age group. Job losses among young adults varied widely by their formal schooling, with high school dropouts by far the most adversely affected, followed by high school graduates. In sharp contrast, young college

graduates modestly increased their employment rate to just under 90% in 2003, twice as high as that for young high school dropouts. Young college graduates, however, appear to be experiencing increasing mal-employment problems; i.e., obtaining jobs outside of the college labor market.

Massachusetts' E/P rates for teens lagged 12 to 16 percentage points behind those of the top five performing states, showing that there is substantial room for improving teen employment rates in our state, especially youth from poor and economically disadvantaged families, low-income neighborhoods and cities, and selected race/ethnic minority groups. Combinations of improved school-to-work transition services, including more jobs for youth in high school, job placement and training services for out-of-school youth, and subsidized job creation programs would substantively boost teen and young adult employment rates in the near future.

These same youth also would benefit disproportionately from renewed job growth in the Commonwealth over the next few years; however, there are important structural barriers facing the movement of poorly educated young adults into more highly skilled positions in state labor markets. Even during the labor market boom of the 1990s, most employed high school dropouts in the state failed to improve their real annual earnings. Substantial investments in education and training in these less educated young adults will likely be needed to boost their real earnings potential in coming years and the standard of living of their families.



For more information, contact Gene White, gwhite@commcorp.org. Please visit our web site at www.commcorp.org/cre for additional workforce development findings.