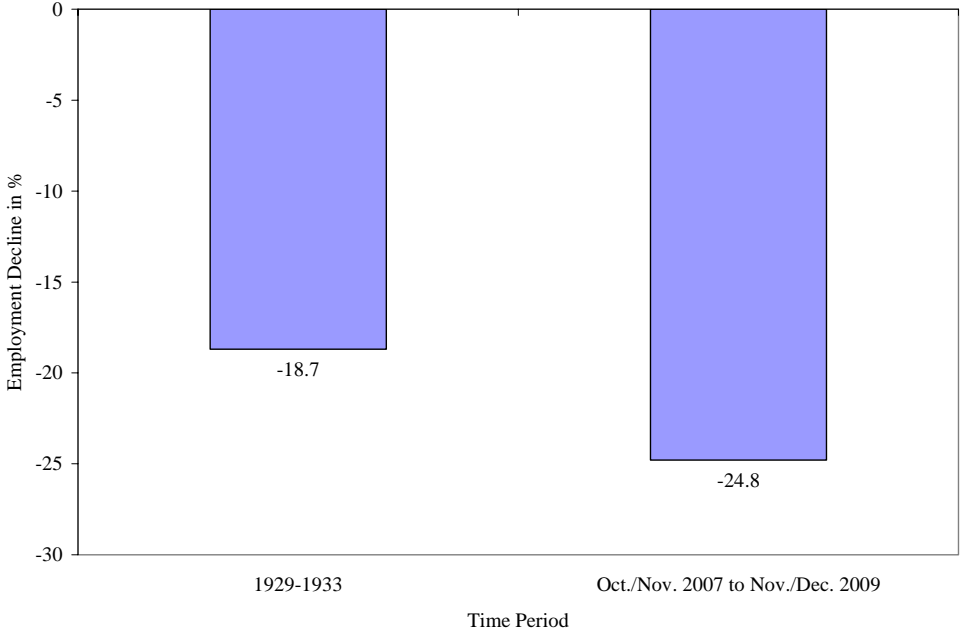


**Dire Straits for Many American Workers: The Economic Case for  
New Job Creation Strategies in 2010 for the Nation's Teens and  
Young Adults (20-24)**

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Comparisons of the Percent Job Losses of All U.S. Workers During the Great Depression of 1929-1933 and Those of U.S. Teens in the Great Recession of 2007-2009



“It is common sense to take a method and try it. If it fails, admit it frankly and try another. But above all, try something.”

FDR 1934

## **The Deepening Loss of Actual and Expected Employment in the U.S. During the 2007-2009 Recession: The Missing 11.8 Million Employed Workers**

The deepening labor market recession in the U.S. since late 2007 has generated a steep increase in overall job losses at a time when civilian employment had been earlier projected by the U.S. Bureau of Labor Statistics to rise sharply. A careful look at recent labor force developments in the U.S. shows a continuing drop in the number of adults looking for work. Last month alone (December 2009), another 660,000 persons (16+) withdrew from active labor force participation, helping hold down the estimated unemployment rate for the month to 10.0%. Since May of last year, the national labor force has contracted by nearly 1.9 million (Table 1), and it is below its level in November 2007, the month right before the onset of the national recession. This is the first time ever in post-World War II history where the labor force has failed to grow over any two-year period.

Table 1:  
Changes in the Size of the Aggregate Civilian Labor Force of the U.S.  
from November 2007 to December 2009, Selected Time Periods  
(in Millions)

Time Period	(A) Civilian Labor Force (in Million)
November 2007	153.767
November 2008	154.524
May 2009	154.956
December 2009	153.059
Change, November 2007 – December 2009	.708 Million
Change, May 2009 – December 2009	-1.897 Million

In 2006, the U.S. Bureau of Labor Statistics had projected that between 2007 and 2009 the nation’s civilian labor force would grow from 153.175 million to 156.293 million, a gain of

3.118 million while the actual labor force declined by 708,000 over the past 25 months. There are nearly 3.9 million persons missing from the nation's labor force, many of whom were young (<30) and lacked college degrees. From November 2007 to December 2009, total civilian employment in the U.S. fell by 8.877 million individuals, the largest decline in any post-World War II recession. Given the expected growth in the civilian labor force over this two-year period and the existence of a near 5% unemployment rate that prevailed in 2007, there should have been another 3.0 million persons employed in late 2009. Adding these missing new workers to the actual job loss of 8.877 million yields a total decline in expected civilian employment of 11.839 million persons over the past 2 years. This represents an extraordinary loss in current employment, earnings, family incomes, tax revenues, and lost future earnings due to reduced work experience, especially among the young, i.e., those under 30. Long-term joblessness reduces both current and future earnings for many workers.

Table 2:  
Changes in the Actual Number of Employed Persons (16+)  
Between November 2007 and December 2009 and the Earlier Projected Growth of  
National Employment Between 2007 and 2009  
 (Numbers in Millions)

Variable	Value (in Millions)
Employed (16+), November 2007	146.669
Employed (16+), November 2008	144.144
Employed (16+), December 2009	137.792
Change in employed persons, Nov. 2007- Dec. 2009	8.877
Projected employment growth between 2007-2009 <sup>(1)</sup>	2.962
Total Loss in Number of Employed Persons, Actual & Projected Growth	11.839 Million

Notes: (1) Our projected employment growth was based on the assumption of a 5% unemployment rate in 2009 and the projected growth of 3.118 million persons in the civilian labor force.

Source: U.S. Bureau of Labor Statistics web site, historical CPS employment data series.

While the nation's real output (Gross Domestic Product) grew in the third quarter of this year (an estimated 2.2%), there was no growth in either payroll or civilian employment since the nation's employers were able to produce this additional output through a combination of a slightly longer work week and increased labor productivity; i.e., gains in real output per hour of work. Many macroeconomic forecasting firms had been estimating a growth rate of 2.5% in real

output next year.<sup>1</sup> In early December 2009, an economic forecasting center based at UCLA projected that U.S. GDP will rise by only 2 percent next year. This growth rate will very likely be too small to produce any increase in employment and, if labor force growth resumes next year, the unemployment rate (2010) could actually rise closer to 11%. What the national media and labor market analysts have failed to reveal in their recent labor market analyses is that the national unemployment rate has been artificially held down by a steep decline in the labor force. The official labor market statistics are masking the seriousness of the labor market problem. The situation is actually worse than revealed by the monthly CPS household survey's estimates of open unemployment. When individuals either stop looking for work or fail to enter the labor market to find a job, including teenagers, young adults and older re-entrants, the official unemployment rate declines. If the labor force had grown as earlier projected, the unemployment rate today would be over 12%.

### **The Dramatic Rise in Labor Underutilization in the U.S.**

The number of workers experiencing some type of labor market problem in the U.S. over the past few years has increased to a greater magnitude than the official unemployment estimates suggest. There has been a very steep rise in underemployment (working part-time but desiring full-time work), hidden unemployment (wanting a job but no longer actively looking), and mal-employment, working in a job that does not require one's education or occupational skills.

The monthly CPS survey tracks the number of underemployed and a subset of the hidden unemployed, but does not officially measure mal-employment, which has increased substantially among young college graduates (BA holders under 30). In December 2009, there were 15.267 million unemployed (seasonally adjusted) workers in the U.S., another 9.165 million underemployed, and 5.939 million members of the labor force reserve, the so-called hidden unemployed.<sup>2</sup> The combined pool of completely unutilized or underutilized labor was 30.4 million, tying last month's total for the largest number of underutilized in the nation's history. The overall labor underutilization rate was 19.1%, nearly equaling the all time high reached at the depths of the recession of 1981-82. This pool of underutilized labor will not likely fall over the next year in the absence of major concerted new job creation strategies. The need for new

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<sup>1</sup> See: "Economic and Financial Indicators," The Economist, January 2, 2010, p. 69.

<sup>2</sup> The monthly estimates of the labor force reserve are not seasonally adjusted by BLS.

labor market actions to create employment for the jobless is now, especially for teens and young adults.

Table 3:  
The Number of Unutilized or Underutilized Workers in the U.S.,  
By Type of Labor Market Problem, December 2009  
(Numbers in 1000s, Seasonally Adjusted)

Labor Market Problem	Number (in 1000s)
Unemployed	15,267
Underemployed	9,165
Labor Force <sup>(1)</sup> Reserve (Hidden Unemployed)	5,939
Total Pool of Underutilized Labor	30,371
Adjusted Civilian Labor Force <sup>(2)</sup>	158,998
Underutilized as % of Adjusted Civilian Labor Force	19.1%

Notes: <sup>(1)</sup> The estimates of the labor force reserve are not seasonally adjusted.

<sup>(2)</sup> The adjusted civilian labor force includes members of the labor force reserve.

Source: U.S. Bureau of Labor Statistics, The Employment Situation: December 2009, tabulations by authors.

## **The Need for Broad Based Teen and Young Adult Job Creation Programs in the U.S.**

The nation's teen (16-19) and young adult (20-24 year old) job markets have continued to collapse during the past year, dropping all of these young groups' employment rates to new post-World War II lows. Over the October-November 2007 to November-December 2009 period, the number of employed teens in the U.S. declined by nearly 25% while the number of employed 20-24 year olds fell by nearly 11%. As noted in the bar graph on the cover page, the job loss in relative terms (-25%) among the nation's teens in the Great Recession is greater than it was for all workers (16+) in the Great Depression of the 1930's (1929-1933).<sup>3</sup> The employment losses for young workers far exceeded those of all other age groups. Among older persons (55+), however, total employment at the end of this period was actually higher than it was prior to the beginning of the recession.

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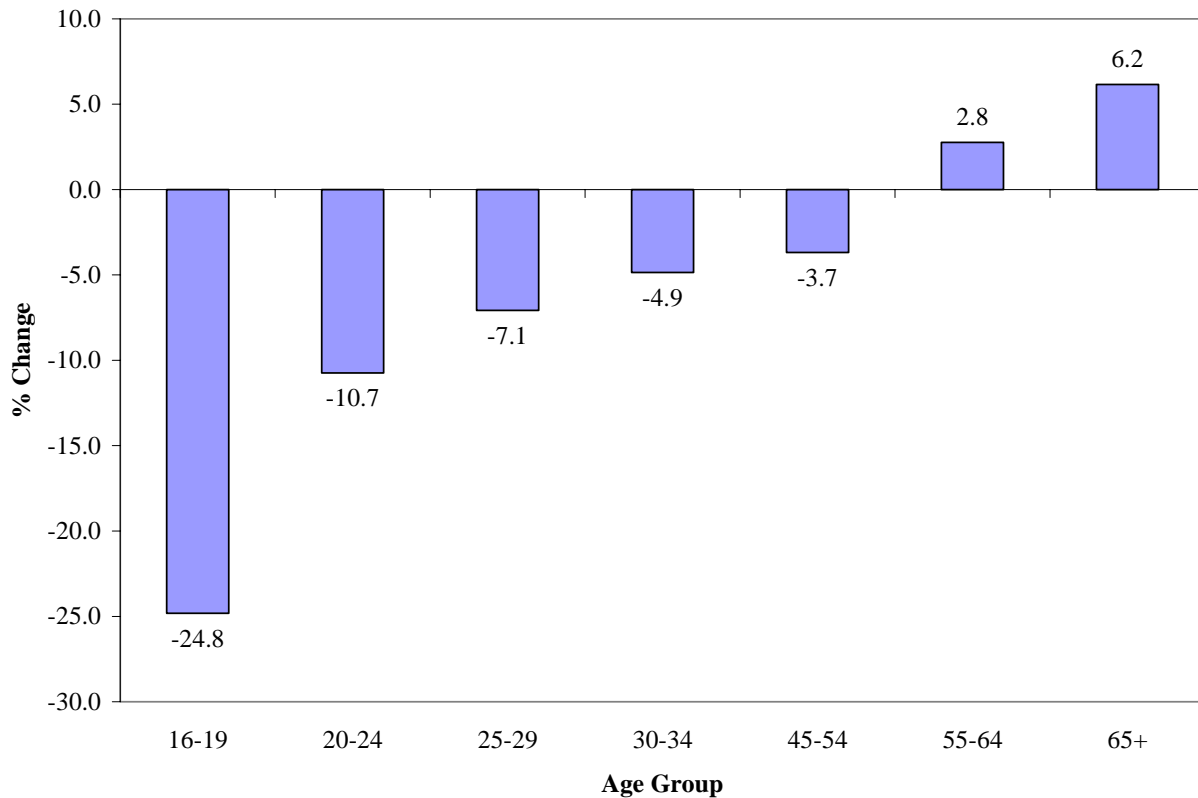
<sup>3</sup> See: U.S. Council of Economic Advisers, Economic Report of the President: 2001, Washington, D.C., 2001, "Appendix Tables."

**Table 4:**  
**Job Losses in the U.S. Between October-November 2007 and November-December 2009**  
**(Numbers in 1000s)**

	(A)	(B)	(C)	(D)
Age Group	Oct./Nov. 2007	Nov./Dec. 2009	Absolute Change	Percent Change
16-19	5,889	4,427	-1,462	-24.8
20-24	13,912	12,418	-1,494	-10.7
25-29	16,475	15,309	-1,166	-7.1
30-34	15,383	14,636	-747	-4.9
45-54	34,649	33,374	-1,275	-3.7
55-64	20,502	21,067	565	2.8
65+	5,797	6,154	357	6.2

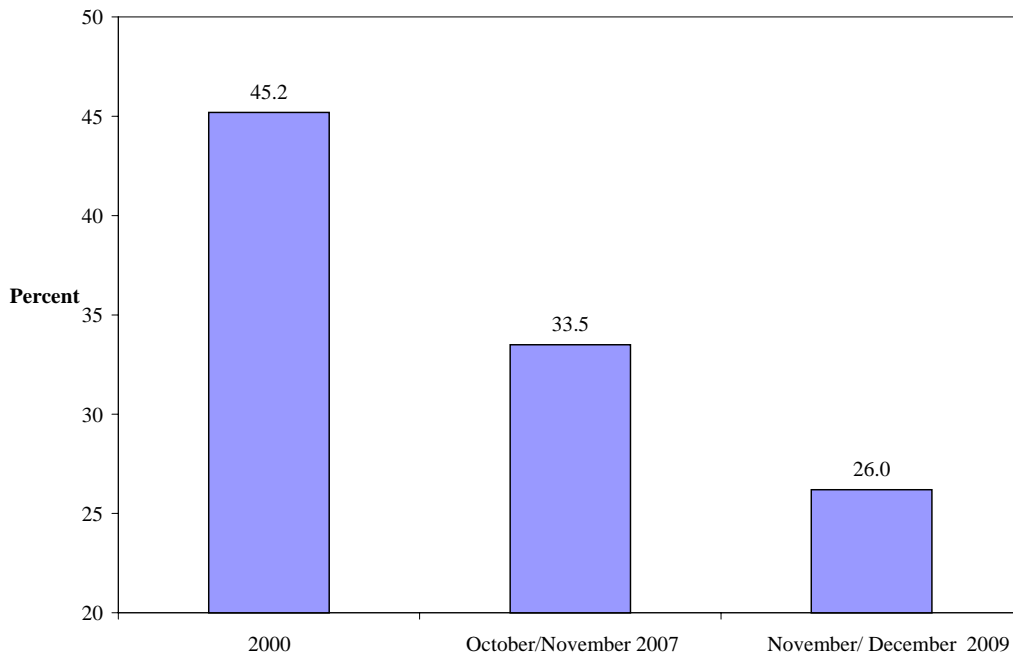
Note: Employment estimates for 16-19, 20-24, and 45-54 are seasonally adjusted.  
Source: U.S. Bureau of Labor Statistics, web site, tabulations by authors.

**Chart 1:**  
**Percent Change in Employment in the U.S. Between October-November 2007 and**  
**November-December 2009 By Age Group**



Over the past nine years, the employment rates of the nation's teens have declined steadily and dramatically to new post-World War II lows. A Great Depression truly has taken place. In November/ December of this year, the teen E / P ratio had dropped to 26%, a decline of 7.5 percentage points from its value in the two months prior to the start of the 2007 recession and more than 19 percentage points below its value in 2000. If the teen population had simply maintained its 2000 annual average E/P ratio, there would have been an additional 3.26 million teens at work in the past two months.

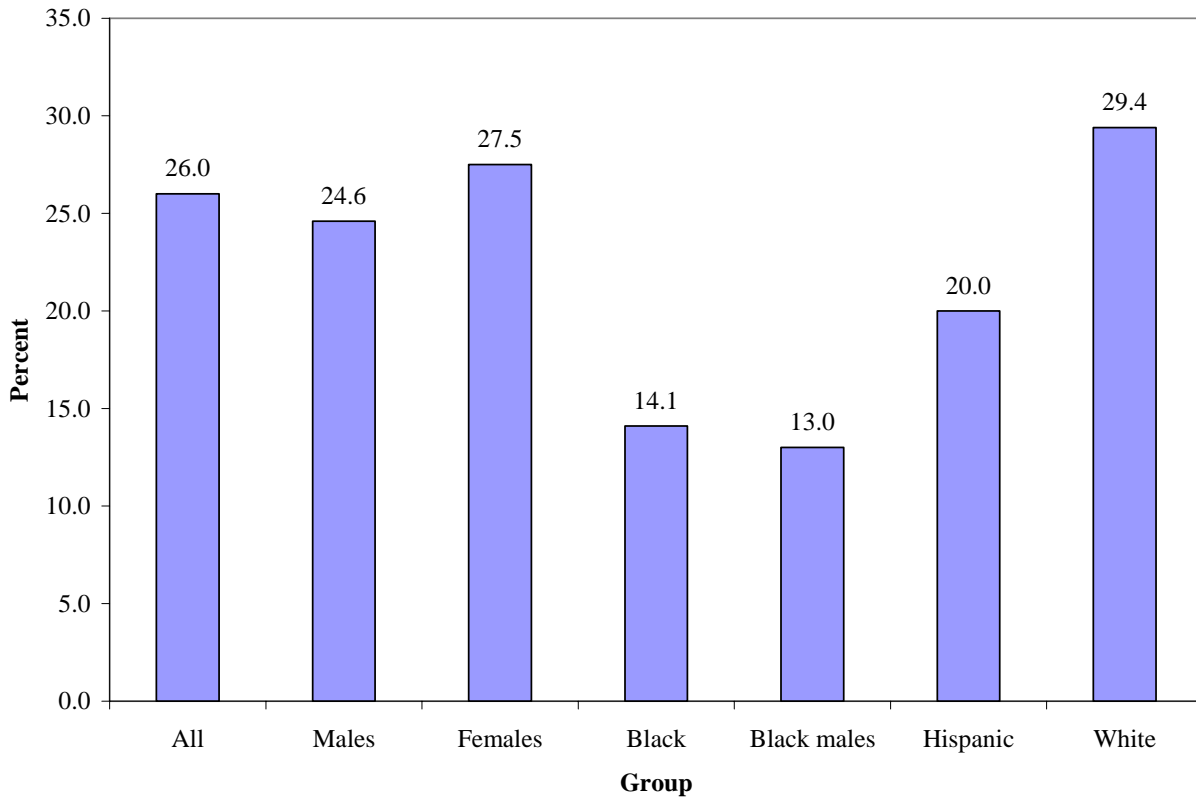
Chart 2:  
Trends in the E/P Ratios of the Nation's Teens from 2000 to  
December 2009, Selected Time Periods  
(in %, Seasonally Adjusted)



Youth in every age, gender, and race-ethnic group have experienced steep declines in their E/P ratios since 2000. Every teen group is working at post-World War II lows, but the declines since 2000 have been greater for the youngest teens (16-17), high school students, and low income to low middle income youth. In November/ December 2009, only 25 of every 100 teenaged males were working versus 28 of every 100 women. Only 14 of every 100 Black teens were at work – the Black teen unemployment rate at 49% was 3.4 times as high as their

employment rate of 14.1%. Only 1 of 5 Hispanic teens held any type of job in November/December 2009.

Chart 4:  
E/P Ratios of Selected Gender and Race/Ethnic Groups of  
Teens (16-19) in the U.S. in October/November 2009



The severe teen joblessness problem is a year-round problem not confined to the summer. A job stimulus program for teens is needed that will create jobs for youth in the public and nonprofit sectors and provide economic incentives through wage subsidies for private for profit employers to hire teens. The proposed youth job creation programs would provide both year-round and summer jobs and not be confined to low income youth. A wage subsidy offer of 30% of the gross wage for 6 to 9 months would be provided to hire targeted teens with a good faith effort to keep them on the payroll after the wage subsidy is over. Sustained, broad based, private sector work experience and training is needed to boost the long-term employment and earnings of teens in the U.S. We also need to have teens exposed to firms in a much broader set of industries. Teen workers are increasingly confined to jobs in retail stores, fast-food restaurants, healthcare, and low level services. They are increasingly shut out of jobs in construction,

manufacturing, utilities, transportation, finance, professional services, and federal/state/local government. Their lack of broad-based work exposure is harming both their immediate and longer term job prospects and earnings. Teen employment is very path dependent with one's employment behavior today having large effects on their work behavior tomorrow. Employers are increasingly critical of the lack of employability skills among young workers and their poor work behavior, but they can only gain such skills through work itself. No demographic group is in more need of immediate job opportunities than teens and young adults (20-24). The time for comprehensive and sustained policy actions on a wide variety of fronts to get our youth to work is now.