Report of Congressional Budget Office Conference on

THE TEENAGE UNEMPLOYMENT PROBLEM: WHAT ARE THE OPTIONS?

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PREFACE

On April 30, 1976, the Congressional Budget Office convened a one-day conference on teenage unemployment. The conference was part of a CBO study of teenage unemployment which resulted in a report to the Congress on Policy Options for the Teenage Unemployment Problem released on September 21, 1976. The conference was held to exchange views on the nature and causes of high teenage unemployment and to discuss policy options. To initiate the discussion, six panelists were invited to make statements. Following the statements there was general discussion among panelists and other participants, who included CBO staff, other Congressional staff, Senator Peter V. Domenici, and myself as moderator. The conference was coordinated by George Iden of CBO's Fiscal Analysis Division. This document contains the statements of the panelists, together with a brief overall summary and a summary of the ensuing discussion. The opinions expressed are those of the participants and do not necessarily reflect the views of the Congressional Budget Office.

The Congressional Budget Office wishes to thank the participants in the conference, especially the six panelists.

Alice M. Rivlin
Director

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SUMMARY OF CONFERENCE

Perspectives on Teenage Unemployment

This session was devoted to a discussion of the dimensions, causes, and implications of the recent high levels of teenage unemployment. Part of the explanation relates to the recession, and part to the way teenagers participate in the labor market. Also, unemployment is a particularly serious problem for certain groups of teenagers, for example, nonwhites and high school dropouts.

Ralph Smith's paper presents some quantitative estimates of the effects of the 1974-75 recession on teenage unemployment rates and jobless rates.[1] Dr. Smith reports that teenagers bear a disproportionate share of the loss of jobs from the recession. One out of four job losses associated with the recession was incurred by a teenager, although teenagers accounted for only about 9 percent of the total employment at the start of the recession.

On the impact of macroeconomic policies, Dr. Smith concludes that "teenage joblessness should decline sharply as the economy recovers, with the strength of the recovery of utmost importance to youth." However, macroeconomic policies alone will leave the teenage jobless rate substantially higher than that of adults.

Bernard Anderson's paper stresses that the job market situation of nonwhite youths is much worse than for white youths and that the disparities in terms of higher unemployment rates and lower labor force participation rates for

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1. The jobless rate includes, in addition to those counted as unemployed, an estimate of the number of persons who are not actively searching for a job (and therefore are not counted as unemployed) but who would be in the labor market if the economy were operating in the range of 4 percent overall unemployment.

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nonwhites have become greater over a long period of time. Among the causes of labor market problems for nonwhite youths, Professor Anderson cites weak job markets in central cities, racial discrimination, educational problems, and changing attitudes among youths. In the policy *area,* Dr. Anderson reviews some pluses and minuses of past manpower programs for youths and outlines the types of programs which he feels would be most effective. Among other recommendations, he emphasizes the importance of the quality of work experience. He suggests for consideration a year-round, work-study program for inner-city youths.

The discussion brought out some of the unique aspects of teenage unemployment compared to adult unemployment. For example, a disproportionate share of unemployed teenagers are new entrants and reentrants to the labor force; and the duration of unemployment among teenagers tends to be shorter than among unemployed adults. Some of the teenage unemployment is associated with the transition from school to finding the first post-school job.

Issues and Options in Education

James Coleman's paper focuses on the complex process by which young people enter the labor market and eventually become full-time workers. He states that in a market system there is an inherent difficulty in this transition from a subsidized environment, the school, to an unsubsidized one, the job market. Professor Coleman's paper discusses some of the broad approaches that might be taken to meet this problem. Among his suggestions for consideration are work-study arrangements for students and the possible use of entitlement vouchers to provide youths with more latitude in their choices of education and training programs.

Richard Freeman's paper discusses the difficult question: "How serious is the youth labor market problem?" before considering: "How might schooling help?" He points out that unemployment rates diminish as youths mature, and he cites a lack of information about the effects of unemployment on youths. Professor Freeman identifies the placement of school graduates as a potentially critical link and suggests that an emphasis on placement and on work-study arrangements might lead to lower unemployment rates for youths.

The discussion led to a consideration of the roles of aspirations and mobility. Some unemployment accompanies the process of adjusting aspirations to available opportunities. However, perhaps unemployment among teenagers could be reduced somewhat without sacrificing the goals of freedom and widespread opportunity.

Manpower Issues and Options

Beatrice Reubens' paper provides an international comparative approach to the study of teenage unemployment and related policies. Her paper suggests that, while several industrialized countries experienced comparatviely low teenage unemployment throughout much of the post-World War II period, teenage unemployment in these countries has been affected by the recent recession. Moreover, she questions whether the conditions that supported lower unemployment in those countries might now be on the wane. Specifically, Dr. Reubens cites demographic factors, apprenticeship and transition programs (such as job placement of school graduates) as being significant determinants of teenage unemployment. Comparing youth programs in the U.S. with those of other countries, she observes "a greater variety abroad but also less dependence on public service employment."

The experience of foreign countries with wage subsidies was of special interest to the participants. In addition the discussion included such intangible factors as various degrees of paternalism by firms and unions toward youths in different countries. The significance of socio-economic mobility was also discussed as one of the influences affecting unemployment among youths.

Sar Levitan's paper focuses on the situation in the United States. It addresses the question of whether or not specific, targeted policies, such as changes in minimum wage legislation and various public employment and training programs, can play a major role in dealing with teenagers' problems in the labor market. Professor Levitan states that general labor market conditions have a major impact on the unemployment situation for teenagers. He argues against the differential minimum wage as an approach in the current context because of the potentially adverse effect on other groups. Until the economy returns to tight labor markets, he proposes that policies be focused on the approximately

425,000 long-term unemployed teenagers, He suggests such policies as community job creation, the expansion of stipends for institutional and apprenticeship training, and an expansion in the Job Corps.

Much of the discussion of manpower policy in the United States centered on the problem of establishing priorities. To what extent should policies be targeted on particular groups of unemployed teenagers, such as nonwhites? What priority should be attached to year-round versus summer job programs? What should be the relative emphasis on cyclical versus structural problems of teenagers in the labor market?

PERSPECTIVES ON TEENAGE UNEMPLOYMENT

THE TEENAGE UNEMPLOYMENT PROBLEM--
HOW MUCH WILL MACRO POLICIES MATTER?

by

Ralph E. Smith*

Nearly one out of five teenagers in the labor market today does not have a job. The difficulties youth experience in finding and holding jobs are important because of the immediate losses associated with joblessness and because of the missed opportunities for learning about work, coming in contact with adults, and developing good work habits and credentials. The purpose of this conference is to consider the options for improving this condition. I will focus my presentation on the role of macroeconomic policies and on the outlook for teenagers through the remainder of the decade as the overall economy recovers.

The basic points I want to make are: (1) a large part of the current youth jobless problem is associated with the general state of the economy; (2) the conventional unemployment statistics considerably understate the impact of the recession on teenage job opportunities; (3) teenage joblessness should decline sharply as the economy recovers, with the strength of the recovery of utmost importance to youth; (4) macroeconomic policies, alone, will leave the teenage jobless rate substantially higher than that of adults; and (5) structural policies and programs, within a high-growth economic environment, will be necessary to significantly narrow this teen-adult gap.

My points are based largely on an analysis of Current Population Survey data, using concepts and techniques that have been described elsewhere. Here I will summarize the key aspects of my approach and then present the empirical findings that are the basis of my statements.

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*The author is a Senior Research Associate at The Urban Institute. The opinions expressed are those of the author and do not necessarily reflect the views of The Urban Institute or its sponsors.

Methods

Research by myself and colleagues at The Urban Institute indicates that the conventional unemployment measure, which excludes people who have not actively sought work or have become discouraged and given up the search, understates the job losses associated with a slack economy and distorts their demographic incidence.[1] We have developed a jobless statistic that is more comprehensive than the unemployment series. We have also developed a labor market model that simulates the labor market consequences for various demographic groups of alternative aggregate job market conditions.

When aggregate demand fluctuates cyclically, the unemployment effects differ substantially for population groups, but the labor force effects differ even more. In order to reflect more accurately the impacts of cyclical fluctations on the availability of jobs, we use a supplementary measure, the jobless rate, that combines both unemployment and labor force variation. The jobless rate is equivalent to what others have called an "adjusted unemployment rate," where the adjustment consists of adding "hidden unemployment" to the official unemployment rate. The unemployment rate indicates the percentage of the current labor force without jobs; the jobless rate is an estimate of the percentage of the potential labor force without jobs. The difference between the number of people who would be available and the number who are actually working is our estimate of joblessness. The jobless rate is computed as:

$$\text{Jobless rate} = \frac{\text{Potential Labor Force} - \text{Employment}}{\text{Potential Labor Force}} \; 100,$$

where potential labor force is an estimate of the size of the labor force at full employment, and employment is

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1. R.E. Smith and J.E. Vanski, "The Jobless Rate: Another Dimension of the Employment Picture," Urban Institute Paper 350-76 (December 1975), and R.E. Smith and J.E. Vanski "Recent Performance of Unemployment as an Indicator of Labor Market Conditions," Journal of Economics and Business (forthcoming).

the number of people employed that month according to the Current Population Survey, We use a four percent unemployment rate in defining the full employment economy, the rate currently used by the Council of Economic Advisers in determining the nation's potential GNP and the full employment government surplus or deficit.[2]

Our estimates are based on the Urban Institute's monthly model of the labor market.[3] Through simulation, the model provides conditional forecasts of employment, unemployment, and nonlabor force levels for sixteen demographic groups,[4] as well as the monthly probabilities of transition between the three labor market states. The key exogenous variable is the total job stock, as measured by the sum of aggregate employment and job vacancies. The model's parameters are from a set of equations that relate each group's labor market transition probabilities to cyclical, trend and seasonal variables. These were estimated with monthly Current Population Survey data for the period, July 1967 through December 1973.

Two sets of estimates are relevant here. The first involves the experience of teenagers in the recent recession. How much of their labor market problem can be blamed on the recession? For this it is helpful to examine both their actual employment conditions and what these conditions would have been in the absence of the recession. The latter is inferred from trends in their labor market status in recent years.

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2. Economic Report of the President, January 1976, p. 54. The CEA is currently reviewing its procedure.

3. For a brief description of the model, see R.E. Smith, J.E. Vanski, and C.C. Holt, "Recession and the Employment of Demographic Groups," Brookings Papers on Economic Activity, (3:1974), pp. 737-760.

4. Ages 16-19, 20-24, 25-59, and 60 and over for white and nonwhite males and females. The forecast variables are intended to correspond to the Current Population Survey definitions. Jobless statistics are then calculated by subtracting predicted employment from the estimated size of the groups's labor force under full employment conditions.

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The second set of estimates involves the degree to which teenagers will share in the economy's recovery. Forecasting this is an inherently risky undertaking. But it is important to do so in order to have some notion of the magnitude of the teenage unemployment probelm we will be facing for the remainder of the decade. The Congressional Budget Office has provided two sets of macroeconomic assumptions to make budget estimates through fiscal year 1981.5 Path A assumes a six percent per year growth in real GNP, with the aggregate unemployment rate declining to 4.5 percent by 1980. Path B proides a five percent annual growth rate, with unemployment remaining above six percent until 1981. These are not predictions of expected economic conditions, but rather are two benchmarks that were used by CBO to illustrate the impact of alternative economic assumptions on budget projections. Similarly, I am using them as benchmarks for illustrating the impact of the macroeconomic setting on the labor market conditions of teenagers.

Our estimates of the size of the potential labor force and of the outlook under each macro scenario are subject to errors associated with limitations in our labor market model, the data used to estimate the model, and the assumption that future events will follow patterns akin to those found in the period in which the model was estimated. From past analyses, we expect that our prediction errors will vary inversely with the sizes of the groups.[6]

Impact of the Recession[7]

The recession began in the fourth quarter of 1973. At that time, teenagers held about nine percent of all jobs, but accounted for close to thirty percent of the unemployed; the 14.6 percent teenage unemployment rate

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5. CBO, "Five-Year Budget Projections, Fiscal Years 1977-81," January 26, 1976. As noted by CBO, even their slower growth rate is nearly as large as the most rapid five-year growth rate since World War II.

6. "Recession and the Employment of Demographic Groups," pp. 743-744.

7. For a fuller discussion of my estimates of the aggregate impacts of the recession and its effects on job market opportunities for women, see "Has the Recession Been an Equal Opportunity Dis-Employer?" Urban Institute Working Paper 876-01 (1976).

was triple the 4.8 percent aggregate rate. Using our more comprehensive jobless measure, 16.1 percent of the potential teenage labor force was without work, compared with 5.8 percent of the aggregate potential work force.

Over the next two years, aggregate employment fell by 200,000, while the potential labor force rose by 4.3 million people, resulting in a 4.5 million net increase in the number of potential workers without jobs. All but 900,000 of the jobless increase is included in the growth in unemployment, with the remainder reflected in the slower growth in the labor force.

Table 1 provides Current Population Survey tabulations for teens during this period, including statistics for the 1974:III-1975:I period, during which the decline in aggregate employment was the steepest.[8] Also shown are my estimates of the potential labor force for each group and the corresponding jobless estimates.

Teenagers bore a very large share of these losses. During this two-year period, teenage employment fell by 420,000, while adult employment increased. Much of the impact of the recession on teenagers was reflected in the drop in their labor force participation, rather than in increased unemployment. Between 1973:IV and 1975:IV, their participation rate fell from 55.0 to 53.4 percent. While the teenage civilian noninstitutional population grew by a half million, their labor force remained nearly constant. Had the recession not occurred, their labor force probably would have grown by about 270,000 from population growth and 400,000 from a continuation of their participation rate trend.[9]

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8. Based on the revised seasonally adjusted statistics published in Employment and Earnings, Vol. 22 (Feb. 1976). The seasonal revision reduced the growth in the teenage labor force over the 1973:IV-1975:IV period by 65,000.

9. Estimates from our model indicate that the potential teenage labor force--the number of teenagers who would be in the labor market under prolonged full employment conditions--was growing by about 670,000 per year and that their participation rate under these conditions was rising by 1.2 percentage points per year. The latter is similar to their actual participation rate increase between 1970 and 1974.

TABLE 1

LABOR MARKET IMPACTS OF THE RECESSION, SELECTED QUARTERS
(in thousands, except as indicated)

	1973 IV	1974 III	1975 I	1975 IV	Change 1974 III-1975 I	Change 1973 IV-1975 IV
AGGREGATE						
Labor Force	89,746	91,343	91,789	93,153	446	3,407
Employment	85,428	86,206	84,313	85,241	-1,893	-187
Unemployment	4,318	5,138	7,476	7,912	2,338	3,594
Unemployment Rate (%)	4.8	5.6	8.1	8.5	2.5	3.7
Participation Rate (%)	61.1	61.3	61.1	61.2	-0.2	0.1
Potential Labor Force	90,716	92,327	93,401	95,012	1,074	4,296
Jobless	5,288	6,121	9,088	9,771	2,967	4,483
Jobless Rate (%)	5.8	6.6	9.7	10.3	3.1	4.5
TEEN						
Labor Force	8,729	8,793	8,797	8,738	4	9
Employment	7,456	7,362	7,056	7,036	-306	-420
Unemployment	1,273	1,431	1,741	1,702	310	429
Unemployment Rate (%)	14.6	16.3	19.8	19.5	3.5	4.9
Participation Rate (%)	55.0	54.6	54.4	53.4	-0.2	-1.6
Potential Labor Force	8,889	9,141	9,309	9,561	168	672
Jobless	1,433	1,779	2,253	2,525	474	1,092
Jobless Rate (%)	16.1	19.5	24.2	26.4	4.7	10.3
TEEN SHARE[a]						
Labor Force	9.7%	9.6%	9.6%	9.4%	0.9%	0.3%
Employment	8.7	8.5	8.4	8.3	16.2	224.6
Unemployment	29.5	27.9	23.3	21.5	13.3	11.9
Potential Labor Force	9.8	9.9	10.0	10.1	15.6	15.6
Jobless	27.1	29.1	24.8	25.8	16.0	24.4

[a]Teen level or change in level as a percent of corresponding aggregate level or change.

Combining the unemployment and participation effects, I estimate that the number of teenagers without jobs as a result of the slack labor market rose by 1.1 million by the end of 1975: 420,000 more unemployed and 660,000 fewer teenagers in the labor force than there would have been had the economy continued to grow. One out of four job losses associated with the recession was incurred by a teenager, with the teenage jobless rate increasing by twice the increase experienced by the aggregate population.

The experience of teenagers in this recession varied by demographic group, location, and other circumstances. Over the past two years, girls fared slightly better than boys, so that by the end of 1975, their jobless rate was one point below that of boys.[10] Black teenagers face conditions in the labor market that are far worse than those confronting whites. At the start of the recession their jobless rate was double that of whites (31.8 vs. 14.1 percent of the potential labor force). By the end of 1975 two out of five potential participants among Black teens were jobless, with a slight reduction in the gap with whites.[11] Bernard Anderson will be discussing the labor market for inner-city youth--probably the group with the most severe set of problems.

Forces and events other than the recession itself may have contributed to the deterioration in the teenage labor market during this period. Increases in the minimum wage and its coverage and the small reduction in the size of the armed forces, for example, may have decreased their job opportunities. School enrollment increased, which could account for some of the labor force reduction,

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10. From 1973:IV to 197:IV the jobless rate of females, ages 16-19, rose from 17.2 to 25.8 percent, while that of males in this age group rose from 15.1 to 26.8 percent. The size of the girls' labor force increased by over 100,000, while that of the boys fell by a similar amount, so that girls had a larger unemployment rate increase than boys (4.5 vs. 2.8 percentage points).

11. In 1975:IV their jobless rates was 40.1 percent vs. 24.7 percent for white teenagers, increases of 8.3 percentage points and 10.6 points, respectively. The Black teen labor force grew, while that of whites declined. As a result, the Black unemployment rate rose more than that of whites (6.9 vs. 4.6 points).

but the causation could go either way. It is doubtful that these factors could have been very important, relative to the recession itself.

Outlook As the Economy Recovers

One way of assessing both the outlook for youth and the role of macroeconomic policies in solving their market problems is to compare the job outlook for teenagers using the two growth paths projected by CBO. *I* have used our labor market model to simulate the demographic compositions of employment and unemployment under each path, assuming the continuation of past cyclical and trend patterns depicted in the model. The results are shown in a table at the end of this paper. The estimates provide at least a rough idea of the conditions teenagers will face, assuming the recovery of the overall economy continues through the end of the decade.

Teenagers should benefit from both the economic recovery and the decline in their numbers relative to the total population. Between 1975 and 1980 the teenage population should decline by about 100,000, while the total population, age 16 and over, is expected to increase by about 12 million people. The favorable demographic shift, however, is likely to be partially offset by the resumption of the trend increase in teenage labor participation rates that was interrupted by the recession.

Under the relatively slow growth conditions projected with Path B, the teenage jobless rate in 1980 is estimated to fall 8 percentage points below its 1975 average (25.3 to 17.6). Their unemployment rate is expected to decline by a smaller amount (19.9 to 15.4 percent), since the recovery should induce increased labor force participation beyond its trend growth. Indeed, this is already occurring.[12]

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12. From 1975:IV to 1976:I, 156,000 of the 400,000 net additions to the labor force were teenagers. The teen participation rate has increased from 53.4 to 54.3 percent in one quarter. Consequently, their jobless rate has fallen 0.7 points, while their unemployment rate has decreased by only 0.1 points. Quarter-to quarter comparisons for this group, of course, are also subject to more measurement *error* than for the total labor force; seasonal adjustment is particularly difficult.

These gains are considerably larger than the corresponding statistics for the total population (a 2,3 percentage point fall in the jobless rate and a 2.2 point fall in the unemployment rate).

The gains to teenagers from more stimulative macro policies can be seen by comparing these estimates with those for the Path A scenario. Teenage jobless and unemployment rates would decline, respectively, by an additional 4.6 and 2.9 percentage points. My estimates are that the aggregate difference between Path A and Path B is 2.8 million jobs in 1980--1.8 million fewer people unemployed and one million more people in the active labor force. For teenagers, the difference is close to 500,000 jobs--300,000 less unemployed and 200,000 more in the labor market. Teenagers--who account for one out of ten people in the labor force--would gain one out of six additional jobs created by a higher-growth economy.

However, even with a favorable macroeconomic environment, the teenage labor market would continue to be weak. The 13.0 percent jobless rate estimated for teenagers under Path A is much better than last year's 25.3 percent, but would still be over triple the adult rate (4.1 percent). Macro policies, alone, cannot go much further.[13] Even in 1969--with the national unemployment rate at 3.5 percent--the teenage unemployment rate was over twelve percent.

If the teenage jobless rate is to be reduced much below twelve or thirteen percent, programs or policies will be needed that address their particular needs. The very high turnover rates of young people seems to be a major cause of their higher joblessness, as well as a problem of its own.[14] Job hopping is one way of learning about the world of work, but it has its costs. Additional assistance

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13. Under the 4.0 percent unemployment scenario I used to generate the potential labor force, the teenage unemployment rate was 11.5 percent.

14. The most recent analysis of the turnover-unemployment relationship is by S.T. Marston, "Employment Instability and High Unemployment Rates," presented before the Brookings Panel on Economic Activity, April 8-9, 1976.

in finding both permanent jobs and after-school and summer jobs might have a large payoff in guiding young workers into better work and learning experiences.

The problems are particularly complex since they are wrapped up in the whole, sometimes painful, process of achieving adulthood. The educational establishment plays a major role in that process and I understand that educational policies will be discussed later in this session. The problems are not insolvable. Many people survive their teenage years with little or no unemployment. Many nations have much lower youth unemployment rates.

During the last two years, the impact of programs and policies that might have improved the structure of the youth labor market would have been swamped by the recession. The recovery will provide a better environment within which structural changes could be combined with momentum of economic growth to substantially diminish the teenage jobless problem.

TABLE 2

LABOR MARKET IMPLICATIONS OF RECOVERY
(annual average in thousands, except as indicated)

	1975 (actual)	Five Percent Annual Real GNP Growth (Path B) 1976	1977	1978	1979	1980
AGGREGATE						
Labor Force	92,613	94,363	96,551	98,644	100,751	102,649
Employment	84,783	87,050	89,273	91,687	94,039	96,214
Unemployment	7,830	7,313	7,278	6,977	6,711	6,435
Unemployment Rate (%)	8.5	7.7	7.5	7.1	6.7	6.3
Participation Rate (%)	61.2	61.4	61.8	62.2	62.6	62.9
Potential Labor Force	94,206	96,323	98,477	100,512	102,436	104,255
Jobless	9,423	9,273	9,204	8,825	8,397	8,040
Jobless Rate (%)	10.0	9.6	9.3	8.8	8.2	7.7
TEEN						
Labor Force	8,798	9,251	9,580	9,808	10,001	10,149
Employment	7,046	7,537	7,870	8,150	8,385	8,585
Unemployment	1,752	1,714	1,710	1,658	1,616	1,564
Unemployment Rate (%)	19.9	18.5	17.8	16.9	16.2	15.4
Participation Rate (%)	54.1	56.4	58.2	59.8	61.3	62.8
Potential Labor Force	9,430	9,746	9,987	10,165	10,306	10,417
Jobless	2,384	2,209	2,117	2,015	1,921	1,832
Jobless Rate (7.)	25.3	22.7	21.2	19.8	18.6	17.6

	1975 (actual)	Six Percent Annual Real GNP Growth (Path A) 1976	1977	1978	1979	1980
AGGREGATE						
Labor Force	92,613	94,413	96,845	99,230	101,559	103,700
Employment	84,783	87,394	90,576	93,802	96,634	99,027
Unemployment	7,830	7,019	6,269	5,428	4,925	4,673
Unemployment Rate (%)	8.5	7.4	6.5	5.5	4.8	4.5
Participation Rate (%)	61.2	61.4	62.0	62.6	63.1	63.6
Potential Labor Force	94,206	96,323	98,477	100,512	102,436	104,255
Jobless	9,423	8,929	7,901	6,710	5,802	5,228
Jobless Rate (7.)	10.0	9.3	8.0	6.7	5.7	5.0
TEEN						
Labor Force	8,798	9,273	9,680	9,974	10,196	10,351
Employment	7,046	7,607	8,126	8,554	8,859	9,061
Unemployment	1,752	1,666	1,554	1,420	1,337	1,290
Unemployment Rate (%)	19.9	18.0	16.1	14.2	13.1	12.5
Participation Rate (7=)	54.1	56.5	58.8	60.8	62.5	64.0
Potential Labor Force	9,430	9,746	9,987	10,165	10,306	10,417
Jobless	2,384	2,139	1,861	1,611	1,447	1,356
Jobless Kate (7.)	25.3	21.9	18.6	15.8	14.0	13.0

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YOUTH EMPLOYMENT PROBLEMS IN THE INNER CITY

by

Bernard E. Anderson*

The employment problems of youth in the inner city are perhaps the most serious of any demographic group in the American labor force. Almost all measures of economic and social well-being are less favorable for inner city youth than for other, and most important, have shown little tendency toward improvement even during periods of generally vibrant economic activity. For this reason, public policy prescriptions for improving the economic status of youth must take specific account of conditions in the inner city which constrain income and employment opportunities.

Measuring the Problem

Although a cursory examination of jobs and income in the inner city will reveal serious disparities in comparison with conditions in other areas, reliable statistical information on labor force status, trends, and behavioral motivation among inner city residents, especially youth, are not available. As a result, there is insufficient public awareness of the dimensions or real significance of the labor market problems of inner city youth. In the absence of reliable information, analysts and public officials must rely on conflicting data and perhaps conflicting value judgments in formulating effective public policies to deal with the employment problems of youth.

Faced with inadequate information, some observers have been led to speculate on the real causes of joblessness among inner city youth. One argument often presented in discussions of this issue is that the unemployment rate is an inadequate measure for understanding the problem of joblessness among youth. Many believe that because youths are attending school in large numbers, they seek only part-time jobs in order to supplement their discretionary income.

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Yet a substantial majority of those aged 18 and 19 have left school and are interested in full-time jobs. Further, a significant number of inner city youth aged 16 and 17 want full-time jobs, and often those who are in school, while seeking part-time jobs, need employment as a condition for completing school. Adequate statistical data on the school attendance, work experience status of youth are not available for local areas, so we do not know the magnitude of this aspect of the problem for inner city youth. Much of the available information on this question is derived from direct observation of community workers and others involved in the administration of government funded manpower programs.

Narrowing the Issue

Despite the deficiencies of existing statistical data, some useful information on youth unemployment can be obtained from reports periodically issued by the U. S. Bureau of Labor Statistics. In the following discussion, emphasis will be placed on the employment status of black youth because a large segment of this group resides in the inner city. There is little question that the "inner city" problem is heavily burdened with race (and Spanish-speaking) implications. Thus, to the extent that one focuses on the problem of black youth, one can obtain insight into the special problems of inner city youth.

Some Recent Trends: School and Job Status

A much smaller proportion of black teenagers than white are in the labor force at any time. Among blacks who are in school and in the labor market, however, the job finding experience is less favorable than for white youth. For example, in 1974, black teenage males accounted for 9.9 percent of all males aged 16 to 19 in school and in the labor force, but only 8.0 percent of those employed; black females comprised almost 9.0 percent of the female teenagers in school and in the labor force, but only 6.1 percent of those with jobs.

About 4.2 million teenagers were in the labor force, but not in school. This group, only slightly smaller than the number in school, were less successful in finding jobs. Undoubtedly, employers use age as an index of maturity, and as a result, young men and women out of school, especially those who are single, find it difficult to obtain jobs during the later teen years.

EMPLOYMENT STATUS OF LABOR FORCE, 16 to 19 YEARS OLD, BY SCHOOL ENROLLMENT STATUS, AGE, SEX, RACE[a], OCTOBER 1974
(Numbers In Thousands)

	Enrolled In School			Not Enrolled In School		
Race and Sex	In Labor Force	Percent of Population	Employed	In Labor Force	Percent of Population	Employed
Both Sexes	4434	41.6	3750	4155	76.2	3439
Male	2383	43.8	2047	2214	87.5	1851
Female	2051	39.3	1705	1941	66.4	1589
White Male	2148	46.3	1881	1937	88.0	1661
Black Male	235	29.2	165	278	84.2	190
Percent Black	9.9	--	8.0	12.6	--	10.3
White Female	1872	42.3	1599	1720	68.8	1444
Black Female	177	22.3	104	220	51.6	144
Percent Black	8.6	--	6.1	11.3	--	9.1

SOURCE: Bureau of Labor Statistics, "Students, Graduates, and Dropouts," Special Labor Force Report, No. 180, (1975).

a. Statistical reports show data for "nonwhites". Because blacks represent about 92 percent of all persons classified as nonwhite, the term "black" will be used throughout the paper.

A closer look at school and labor market experience can be obtained by comparing the unemployment rates of school enrollees, graduates, and dropouts. A cursory examination of the evidence for 1974 shows high unemployment rates among youth regardless of school status. Yet, there are significant differences in the labor market experience of graduates and dropouts, and among blacks and whites. Among whites, high school graduates experienced somewhat less joblessness than dropouts, but among blacks, high school graduation failed to provide a ticket to greater labor market success. Instead, black high shool youth who graduated in May 1974 had an unemployment rate in October 1974 of 7.0 percentage points higher than that among those who dropped out of school during 1974-75.

The difference in unemployment experience by school status may reflect several forces at work in the labor market. First, the relatively high unemployment rate among youth in all age categories suggests a high degree of shifting about between jobs, and in and out of the labor force. Through this process, young workers gain important knowledge about the world of work, and begin to form preferences regarding lifetime career goals and aspirations. Some of the joblessness might be reduced through better counseling and job market information, but job changing among youth will probably always exceed that among adults.

Second, the relatively greater labor market difficulties among black youth are undoubtedly related to their concentration in inner city communities where there is a dwindling pool of semiskilled jobs, and fewer opportunities for employment except in menial service occupations. Racial discrimination in employment must also be identified as one of the major barriers to greater labor market success for black youth. In fact, these and other unfavorable conditions in urban labor markets help explain the high rate of nonparticipation among black youth in the labor force. One of the reasons black high school graduates have a lower unemployment rate than black graduates is that many of the dropouts have given up the search for work and thus, are not counted among the unemployed.

Unemployment Trends

The unemployment problem of black youth has worsened progressively over the past decade. One measure of the trend can be obtained by comparative examination of youth unemployment relative to that for the labor force at large.

UNEMPLOYMENT RATES BY SCHOOL STATUS AND FOR HIGH SCHOOL GRADUATES AND DROPOUTS, BY AGE, SEX, AND RACE, OCTOBER 1974[a]

	Enrolled In School		Not Enrolled In School					
			Total		Graduates[b]		Dropouts[b]	
	White	Black	White	Black	White	Black	White	Black
Both Sexes								
16 to 24 years	11.5	28.0	9.3	21.0	14.6	38.6	16.2	31.6
16 and 17	14.9	36.8	20.8	a	-	-	-	-
18 to 19	10.1	31.1	14.0	31.4	-	-	-	-
20 to 24	7.2	16.5	7.1	16.9	-	-	-	-
					Both Races		Both Races	
Men, 16 to 24	11.0	24.1	8.8	19.4	15.3		24.5	
Women, 16 to 24	12.0	33.9	9.9	22.8	18.6		36.2	

SOURCE: Bureau of Labor Statistics, "Students, Graduates, and Dropouts," Special Labor Force Report, No. 180, (1975).

a. Percent not shown where base is less than 75,000.
b. Graduating or dropping out during the academic year, 1973-74.

Since 1960, the black teenage unemployment rate has increased from almost 25 percent to nearly 40 percent in 1975 and 1976. It is important to note, however, that during this period, the ratio of black youth unemployment relative that of adults increased markedly, while a similar comparison of the unemployment rate of young whites relative to adults showed little change.

It is also important to note the conflicting trends in labor force participation among black and white youth. Since 1960, (and the trend would be even more evident if the comparison began with 1950) the labor force participation rate among black youth has declined by 4.3 percentage points, while that among white youth actually increased by 8.4 percentage points. No doubt, worsening job prospects help explain this divergent trend.

The withdrawal of large numbers of black teenagers from the labor force, even those seeking part-time jobs, means the standard unemployment rate fails to capture the full impact of the problem of joblessness. In reporting the black youth unemployment rate, it is important to remember that the 35.2 percent unemployed (first quarter, 1976) represent less than half of those in the 16-19 age group.

Sources of Inner City Job Problems

The employment difficulties of inner city youth have been exacerbated by unfavorable trends in job opportunities in the cities. The well documented evidence of industry relocation reducing the number of semiskilled jobs in the city compared with areas outside the city contributes to a shortfall in employment opportunities for youth, especially those 18 and 19 years of age.

Perhaps even more important is the continuously changing structure of labor demand in expanding occupations within the city. Increasingly, the jobs located in the city segment of major metropolitan areas call for a level education and skills not available among the large numbers of inner city youth. The widespread inadequacies in the quality of public school education (reflected in the annual surveys of student achievement) do little to prepare youth for even the available entry level jobs which require only modest educational attainment. For example, in Philadelphia, a recent study sponsored by the State Department of Education reported that about 40 percent of the high school graduates failed to

LABOR FORCE PARTICIPATION AND UNEMPLOYMENT AMONG YOUTH 16-19, 1960 to 1974

	Labor Force Participation Rate[a]		Unemployment Rate		Ratio Teen to Total Unployment Rate	
Year	White	Black	White	Black	White	Black
1960	49.3	45.8	13.4	24.4	2.43	4.44
1961	48.0	44.8	15.3	27.6	2.28	4.12
1965	47.5	41.7	13.4	26.2	2.98	5.82
1966	49.4	43.1	11.2	25.4	2.94	6.68
1967	49.8	43.9	11.0	26.5	2.89	6.97
1968	49.9	42.9	11.0	25.0	3.06	6.94
1969	51.2	42.7	10.7	24.0	3.06	6.86
1970	52.0	41.4	13.5	29.1	2.76	5.94
1971	54.6	38.7	15.1	31.7	2.56	5.37
1972	54.6	39.7	14.2	33.5	2.54	5.98
1973	56.4	41.1	12.6	30.2	2.57	6.16
1974	57.7	41.5	14.0	32.9	2.50	5.88

SOURCE: U.S. Department of Labor, Manpower Report of the President (1975).

a. The ratio of the noninstitutionalized population, 16-19, employed or seeking jobs.

attain a level of literacy comparable to a tenth grade education. As a result of such disparities between the educational preparation of youth, and the hiring standards of employers, large scale unemployment among inner city youth often exists simultaneously with significant numbers of job vacancies in entry level white collar jobs in many cities.

In addition to these factors, the changing attitudes of youth toward labor market participation undoubtedly contribute to the problem of joblessness. Many inner city youth reject menial, service type jobs previously accepted by youth newly entering the labor market. The preference today seems to be for "good" jobs, or at least entry level positions which appear to lead toward higher status and higher income in the near future. The attitudes and motivation of youth toward the labor market and job opportunities play a large role in determining their employment experience.

Public Policy Prescriptions

Remedial manpower programs developed during the past decade were beamed heavily toward youth. Between 1965 and 1972, for example, 73,2 percent of all first time enrollees in major manpower programs were under 22 years of age.[1] The Neighborhood Youth Corps and the Job Corps were the major youth programs, but substantial numbers of disadvantaged youth also participated in MDTA Institutional Training, the Concentrated Employment Program, JOBS, and the Opportunities Industrialization Centers.

Although many observers have criticized social action programs, there is evidence that youth participation in manpower programs had a beneficial impact. The evidence on post-training job experience of both JOBS and MDTA institutional enrollees shows earnings gains in excess of those for similar persons who did not participate in the program.[2] Some studies of the Jobs Corps also reveal net gains for disadvantaged inner city youth.

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1. C.R. Perry, B.E. Anderson, R,L. Rowan and H.R. Northrup, The Impact of Government Manpower Programs (Philadelphia: Industrial Research Unit, University of Pennsylvania, 1975), p. 22.

2. Robert Taggard, "Employment and Training Programs for Youths," (published M.S., December 1975).

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Despite this evidence, there are several questions regarding manpower programs that should be considered in any attempt to formulate new policy initiatives for dealing with inner city youth employment problems. First, many NYC programs currently suffer because of their short term funding, lack of focus, lack of supervision, and exclusive reliance on public sector employers. The time has come to seriously question the value and purpose of the annual rush toward summer youth employment programs in preference to more ambitious, year-round efforts. Much of the current "work experience" in the summer program is little or no work, and a negative demeaning experience. Perhaps a year-round, work-study program would produce better results; a program of that type would certainly be more valuable than current efforts for inner city youth.

Finally, it is important to recognize the changing attitudes of youth toward the world of work, and fashion policy prescritpions that will meet the needs and interests of today's youth. To the extent that youth feel a need to be "useful" as well as to earn income, perhaps some change in the funding arrangements for youth programs might facilitate the development of programs that will combine social utility and income earning opportunities. Experimentation with federal funding of community based organizations working with youth might produce viable models of effective programs that give youth a sense of self reliance and at the same time, contribute to community betterment. Some consideration of such alternatives seems warranted at this time.

DISCUSSION: PERSPECTIVES

Cyclical Factors

Ralph Smith stressed that a substantial part of the current high unemployment rate and jobless rate among teenagers was due to the recession and that teenage unemployment would be strongly affected by the recovery and by the pace of the recovery.

There was general agreement that recovery from the recession would help the teenage unemployment situation and that the recovery was a crucial factor affecting the outlook for teenage unemployment. Macroeconomic policies alone, however, will leave the teenage joblessness rate substantially higher than that of adults. Structural policies and programs--programs that are targeted on teenagers within a high-growth economic environment--will be necessary if the teen unemployment gap is to be narrowed.

Demographic Factors

Several of the panelists cited the bulge in the size of the teenage population as having exacerbated the problem of teenage unemployment in the past. The number of teenagers is now near peak levels and is projected to decline over the next five-to-ten-year period.

Richard Freeman stated that the declining number of teenagers would not have a large effect in reducing the teenage unemployment rate during the next few years. Peter Henle (Senior Specialist, Congressional Research Service) called attention to the racial differences: The growth in the nonwhite teenage population will continue for several years yet, while the number of white teenagers will be declining. In addition, several participants called attention to the increasing number of adult women in the labor force who, in many instances, compete with teenagers for jobs.

Nonwhite Teenagers

Bernard Anderson emphasized that the nonwhite teenage unemployment rate has been increasing secularly. Moreover, labor force participation rates have been declining for nonwhite teenagers, and are substantially below the participation rates for white teenagers. He stated that, although the recovery could help, it was not likely to produce much decline in the unemployment rate for nonwhite teenagers. However, he pointed out that the recovery could generate tax revenues for youth programs. He felt that specific attention must be given to the unique problems of youths residing in the inner city.

Among the causes of high unemployment rates among nonwhite youths, Professor Anderson stressed the weak job market in urban low-income areas and racial discrimination. He stated that requirements for entry-level jobs have risen. At the same time, the public school system has not adequately prepared young people in the inner city for whatever jobs might be available. He also felt that many young people do not want the menial jobs that might be available to them in the inner city. He stated that income maintenance programs and the possibilities for obtaining income through criminal activities have reduced the necessity for youths to accept menial jobs.

Professor Anderson expressed reservations about the real benefits of summer jobs programs, aside from providing income to participants. He said that, in instances in which the jobs were make work, employment programs can have negative effects on the participants. He argued that relatively less emphasis should be placed on summer jobs programs and more on year-round work and training programs. He felt that it was generally important to combine training and education with youth employment programs.

There was general agreement among conference participants that the labor market problems of nonwhite teenagers are severe, that they have been worsening over a long

period of time, and are not apt to be improved substantially by the recovery.

The moderator, Dr. Rivlin, asked Professor Anderson to elaborate on the reasons for the declining labor force participation rates among nonwhite teenagers. He responded that, in addition to rising school enrollment rates, it was a combination of discouragement and the progressively worsening employment situation.

Nancy Barrett of CBO observed that the low quality of jobs available to inner-city youth, coupled with rising aspirations, might be part of the explanation for declining labor force participation rates among nonwhite teenagers.

The Nature of the Problem

The significance of teenage unemployment as a longer-run phenomenon (apart from the recession) stirred substantial comment and discussion.

Several panelists emphasized the special attributes of teenage unemployment compared to unemployment among adults. To some degree, the teenage unemployment rate is higher than for adults because of the characteristics of teenagers' participation in the labor market. A substantial proportion of unemployed teenagers are either new entrants or reentrants to the labor market. Teenagers frequently enter the labor market for short periods of time; and, when in the labor market, they change jobs more frequently than adults.

According to Professor Freeman it was not an "unemployment problem," *per se*, but rather a "youth labor market problem." In his view, the youth labor market problem included the problem of the poor quality of jobs available to many young people, even for some groups of recent college graduates.

Professor Freeman argued that the unemployment rate is not a good indicator of hardship. The majority of unemployed teenagers have not lost a job. In general, much of teenage unemployment is associated with a limited period of job search upon initial entry into the labor market. Moreover, teenagers are highly mobile--moving in and out of the labor force, from school to work, back to school

(perhaps with a part-time job) etc. He felt that, in general--excluding inner-city youths--unemployment is a short-term problem for most teenagers.

Ralph Smith agreed that a large proportion of teenage unemployment is due to their being recent entrants to the labor market. However, he felt that it should not be dismissed as being less of a problem but rather a different kind of problem.

Robert Levine of CBO questioned whether, in the absence of recession, unemployment for white teenagers constituted a serious social problem.

Richard Freeman pointed out that not much was known about the long-term effects of unemployment among young people. Does it cause long-term damage to individuals or not? In addition, both Professors Freeman and Anderson felt that there was a dearth of information on the labor market activities of youths. This topic came up several times, especially in the discussion of unemployment in the inner city.

Bernard Anderson stated that inaction has resulted from confusion over what the problem is and whether, in fact, there is a problem. He said that in his view the problem is that large numbers of young people have unfavorable experiences in the labor market. This has important implications for how youth feel about themselves and about their commitment to the basic values of the country, such as patriotism and the role of the family.

Beatrice Reubens pointed out that it was not inevitable for teenage unemployment rates to be substantially higher than adult rates, since some industrial countries, especially before the most recent recession, had avoided high teenage unemployment rates. She emphasized the importance of what she referred to as "prearrangement of jobs" for young entrants into the labor market. She stated that there are some countries in which 85 to 90 percent of new entrants to the labor market have jobs several months before they leave school.

Professor Reubens felt that teenagers in school should not be lumped together with those out of school in unemployment statistics. She stated that, although there is some overlap, the in-school groups is predominantly aged

16-17 and the out-of-school group, aged 18-19. She felt that the recession had hit the out-of-school group especially hard.

Senator Domenici stated that, in his opinion, the subject of the conference was one of the most difficult problems faced by the country. He felt that the typical economic recovery will not solve the problem of teenage unemployment and it will be here for a substantial period of time.

ISSUES AND OPTIONS IN EDUCATION

THE SCHOOL TO WORK TRANSITION

by

James S. Coleman*

I would like to discuss several points, beginning with a plea for research of the sort that does not exist now, or at least is infrequent. Current research allows us to say a great deal about unemployment rates for a given age group, and we can say a great deal about the current educational or occupational status of persons of different ages and of different racial groups.

What we cannot do well, and what the Parnes data has only begun to allow in a small way, is to follow this very crucial period (between ages 14 and 25) during which a person makes his transition between school and work. Nearly all of our work is cross-sectional rather than longitudinal in form.

To illustrate the value of longitudinal data, I will comment briefly on research which I carried out several years ago with some colleagues covering a national sample of men who were between the ages of 30 and 39 in 1968, when they were interviewed. This research examined, through retrospective response, their experience in education and occupation from age 14 to their current age, 30 to 39. Some of this information, particularly that on periods of unemployment, is not good when obtained retrospectively, but other information on a man's work history seems to be very good.

One of the points that is most striking from this information is that the process of leaving school and going to work is a very complex one for many people. To illustrate this, I will give five different definitions of the point of transition from school to work. We found it necessary to distinguish all five of these. One is the first entry into the labor force. That is often a part-time job,

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sometimes a full-time job, Many times first entry into the labor force has no connection with any other aspects of this transition from school to work.

The second definition is the first exit from education for a more than three-month period, that is, more than the summer period. This, of course, is a different thing than the first entry into the labor force, for most young people occurring at a later age.

Third is the first full-time job, which is still a different thing.

Fourth is the last exit from education, because for many people there is a difference between the first exit from education and the last exit from education.

Fifth is the first full-time job after the last exit from education, which one might conceive of as his final launching into the labor force.

There are a number of things that can be said about these different definitions of the point of transition from school to work. The first is that there is a large amount of time between the first and the last. On the average, there is a very large amount of time between the first entry into the labor force and the first full-time job after the last exit from education. To look at it in a different way, for most men there is a long period, or some period of time, during which they have both labor force and educational experience.

My second point is that this overlay between education and work is considerably higher for whites than it is for blacks. That is, we spoke earlier about unemployment. Now I am looking at a different phenomenon, doing two things at once, attending school and working. Most people have an overlap between education and work, and blacks have a much smaller overlap than do whites.

A black's first entry into the labor force is later, not earlier than that of the average white. And a black's last exit from education is earlier than that of the average white. He gets a job later and leaves school earlier.

The last result I want to mention from this research is that a great deal of a man's occupational mobility over his career occurs during this transition period. About three-quarters of the mobility for blacks and for whites

occurs during the period between the first entry into the labor market and the last exit from education. His income growth, in contrast, occurs very largely after the last exit from education.

That result surprised me very much. However, when we think about the first entry into the labor force that many people have, it may not be so surprising. Many of the persons who ultimately end up taking a job after college have had, early in life, jobs that they never intended to keep. These may have been part-time jobs, summer jobs, or even a longer full-time job. Thus the result is not surprising when you think about it, but it is nevertheless an important point: about three-quarters of the occupational mobility of a man's experience over his career does occur between the time he enters the labor force and the time he last leaves education.

Now I would like to shift to a general observation that stems from a look that I took in 1962 at two things: the rate of new job formation and the rate of new persons formation. In a sense, the problem we are addressing today has to do with keeping these two things in balance in some way. Our present difficulties stem in part from the fact that the rate of new job formation in the 60s and early 70s and the rate of new person formation in the late 40s and 50s were not at all in balance. There was a much larger rate of new person formation in the late 40s and 50s than there was of new job formation in the 60s.

If one looked at the demographic changes beginning in 1946, the year in which there was an enormous increase in the birth rate, and projected the rate of new job formation--I did this around 1962--one would have predicted a much larger increase in youth unemployment than in fact occurred. What surprises me is that we digested this period, this enormous engorgement of youth that the society was confronted with in the past decade.

I think that there are changes of two kinds that are important to look at. There is one general trend and another particular phenomenon which characerized the decade of the 1960s. The particular phenomenon was merely the large increase in numbers of young persons in the 1960s. The general long-term, secular trend, which we can see over a longer period of time, is increasing difficulty in the labor force for young people. That is a fairly slow secular trend that was greatly compounded in the 1960s by this very large work force.

I believe it; is difficult to predict whether in 1980 youth unemployment problems will be worse than they are now, or not as bad as they are now. We can say, however, because of the reduced birth rate, that the problem will not be as much worse in 1980, compared to 1976, as they were in 1970 compared to 1966. One of these phenomena, the particular phenomenon of the swollen age chart, has been removed.

We can predict other things equally well or even better. We can predict, for example, that crime will decline. I would be willing to bet that we will have less crime in 1980 than we do in 1976, because we know most crimes that are committed are by 18, 19 and 20 year-olds, and will have fewer of them in 1980 than we have in 1976.

Finally, what I want to say is the fundamental problem as I see it is that a capitalist economy or a market economy has not a natural place for an intermediate status between full dependence and full productivity. A capitalist economy or market economy has no natural place for an intermediate status between full dependency, which a person is in when he is in school, and full productivity that he is in when he is in the labor force, If there are managed budgets (budgets of the sort that governmental or non-profit organizations have, and as exist in socialist countries), rather than budgets that must have profit and loss statements and must be competitive in a market, then it is quite possible to combine in the same budget activities that create private goods with public service activities.

If, as in a capitalist economy, there are market institutions on the one hand, and governmental institutions on the other, it is almost impossible to combine those activities in the same budget without some sort of special consideration such as subsidies. Given this difficulty, there is no natural place in a market economy for an intermediate status between full dependency and full productivity. This means that the problem of the transition from dependency to productivity is more difficult in the United States than it is in a socialist country.

There have been several institutional devices of one sort or another, which have attempted to make up for this.

One general class of devices is a special competitive position for youth. The best example of that would be a

lower minimum wage. Given that there is no status of partial dependency and partial productivity, one way of resolving this is to have special competitive positions for youth, such as a lower minimum wage.

A second is to have special temporary institutions which are not in a competitive market, such things as the Peace Corps, the Army, VISTA, CCC, Neighborhood Youth Corps. Whether they are full year-round activities, summer activities, whatever they are, they are things that may be thought of as sheltered work shops in the sense that they are outside the private economy. They have the character of being temporary holding institutions which are not in a market economy and which have room for youth or are designed for youth.

Sometimes these are brought about by natural conditions, such as the existence of a war. Other times, they are specially devised, as the CCC was in the 1930s. But the major point is that this is the second institutional solution for this problem.

A third institutional device is to use education as a cushion, that is, to extend the dependency status longer. I think this is the institutional device that we have used most in this country.

To go back over these three devices: The first is to have a special competitive position for youth as they enter this market economy. The second is to have special temporary institutions which are neither full dependency nor full productivity, but are specially created for youth, such as the CCC or the Army. The third is to extend the period of dependency longer, that is to extend the educational status longer.

I think the third device, extension of education is the principal reason why in the 1960s we did not have the very extensive unemployment among youth that one could very easily have predicted in 1960.

There is, I believe, a serious defect to this third device, that is using education as a cushion. Professor Anderson described the way in which some jobs, for example, the Neighborhood Youth Corps, and in some of the jobs that young people move into as their first jobs make youth ill-fitted for subsequent work. The fact that those jobs are not real jobs makes young people less well-prepared for

real jobs later on. Similarly, the fact that this cushion of education is not real education, or the fact that the educational institution is being used as a holding station, means that it ill-prepares young people, or prepares them very poorly, or unprepares them, for productive activity afterwards.

TEENAGE UNEMPLOYMENT: CAN REALLOCATING EDUCATIONAL RESOURCES HELP?

by

Richard Freeman*

What is the nature of the teenage unemployment problem? Can the high rates observed in the U.S. be reduced by changing educational resources and the school system? What additional information and analysis are needed to provide firm answers to these questions?

Discussions of the Problem

At the outset, it is important to recognize what is and what is not involved in the teenage unemployment problem or what I prefer to call the youth labor market problem because it extends to young persons beyond the teenage years and involves other market problems such as: low rates of labor participation among young persons no longer enrolled in school; lack of jobs with training for the future for many young persons; significant and rising rates of crime by teenagers.

With respect to the unemployment dimension with which this conference is concerned, it is important to recognize:

1. That the unemployment of teenagers is high both among those enrolled in school and presumably looking for part-time or temporary work, and among those no longer enrolled. In 1973 (before the recession) the rate for the latter was not that different from the rate for the former as is shown below.

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	Male		Female	
Age	Enrolled	Not Enrolled	Enrolled	Not Enrolled
16-17	14.5	20.6	16.9	19.7
18-19	11.2	9.9	10.5	13.8
20-24	6.9	5.3	4.8	7.7

The percentage unemployed drops for both groups as they age, falling especially rapidly among not enrolled males.

2. The extraordinary rates of unemployment and non-participation in the work force among black teenagers, particularly men. In 1973 unemployment among black male teenagers aged 18-19 was 26.6 percent compared to 12.5 percent for their white peers. Among high school graduates aged 16-24 in October 1973, 28.3 percent of all black and other nonwhite graduates from the class that graduated in June 1973 were unemployed; 22.3 percent of those who had graduated in 1971 were unemployed, and 9.2 percent of those from the class of 1971 and 10.4 percent from the earlier classes--rates nearly triple those among comparable whites. Rates for school dropouts were on the order of 20 percent. Moreover, because the labor participation of young blacks is relatively low, the proportion employed was exceptionally small. In the high school graduating class of 1973, 49 percent of blacks (versus 74.1 percent of whites) not enrolled in college were employed, as of October 1973; in the class of 1971, 69 percent of blacks versus 80.0 percent whites were employed,

3. Unemployment has suddenly become a problem for young college graduates as well as high school graduates and dropouts. In the college class of 1972, 13.2 percent of graduates under 25 years were unemployed six months upon graduation, creating a problem not only for them but for the less educated nonenrolled teenagers with whom they compete for jobs. College graduate unemployment was especially severe among humanities and social science majors, with rates of 15-16 percent.

4. Unemployment and nonemployment among young persons is not limited to the "teenage" years, particularly for blacks. In 1972, 14,8 percent of 20-21 year old men not enrolled and 22.1 percent of 20-21 year old black men not enrolled were either unemployed or out of the labor force.

5. Substantial youth labor market problems, which show up in high rates of unemployment, are essentially a U.S. phenomenon. In other western countries, unemployment rates among the young are reasonably similar to those among older workers, in contrast to the markedly higher rates found in the U.S. The better performance of foreign youth labor markets suggest that the problem in the U.S. is remediable.

How Serious is the Youth Labor Market Problem?

Unfortunately, the young get older. Fortunately, when they do, the rate of unemployment and related labor market problems diminish. The fact that youth unemployment declines as persons age and the distinct characteristics of unemployment among the young raise important questions regarding the significance of the problem. Some of the factors which must be considered in evaluating the significance of youth unemployment include:

6. That youth unemployment tends to be of short duration and due, in large measure, to entry and reentry in the work force. In 1973, 54 percent of the unemployed aged 16 to 21 not enrolled in college were unemployed for less than 5 weeks compared to 51 percent of all workers; just 3 percent of high school graduates had spells of 27 weeks or more compared to about 8 percent of all workers. Two-thirds of unemployed youth in 1974 were either reentrants or new entrants compared to 41 percent of all unemployed persons. Over one-third had never worked before. If reentrants and new entrants are excluded, the rate of unemployment among 16-19 year olds in 1974 would be 5.1 percent, which is not that much greater than the equivalent 3.2 percent for all workers. Much of the youth unemployment problem is a problem of the transition from school and nonlabor force activity to employment.

7. When young men marry and assume family responsibilities, rates of unemployment fall sharply. The rate of unemployment for young heads of households was about one-half that for all young males in 1974. Similarly, as

they age, the unemployed young person becomes employed. Rates of unemployment drop sharply both cross-sectionally and longitudinally, so that by the time young persons are, say 25 to 34, rates are quite low for whites and much smaller though still non-negligible among blacks (7.2 percent among black men compared to 3.5 percent among white men in 1974).

8. There is no evidence that having considerable unemployment and related poor work experiences at a young age "scars" a person for life. Teenage unemployment may have deleterious effects on work attitudes, investment in job skills, and lifetime income and related labor market experiences but this has not been documented. Teenage unemployment may be purely a transitional problem without long-term consequences.

9. While the magnitude of the teenage unemployment problem has been enhanced by the demographic changes of recent years, which made the number of young persons experiencing unemployment much larger than ever before and presumably contributed to the high rates of unemployment, it appears unlikely that the problem will disapper as the size of the youth cohort declines. The number of young unemployed persons will of course drop in the next decade but, according to unpublished calculations by Feldstein and Wright, this will not significantly lower the rates of unemployment among the young. Moreover, over the same period that the number of young persons seeking work has increased, so to has the number of women, without similar unemployment problems. More is involved than the demographic bust.[1]

10. Not all data sets show high rates of unemployment among teenagers as is found in the Current Population Survey reports used in official government statistics.

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1. It is intriguing to hypothesize that the growth of the female work force may have reduced demand for teenagers. Many women work part-time or at entry-level jobs which might also be filled by teenagers. To the extent that employers prefer, at existing relative wages, women to teenagers for these jobs, the teenager may have been "pushed" out of certain job areas by the increased availability of women. Similarly if the female-teenage wage rate has fallen.

The National Longitudinal Survey of young men, for example, yields much lower rates of unemployment, raising questions about the statistical measurement of the problem.

How Might Schooling Help?

As has been widely recognized in recent years, education and the school system are not the cure-all for socio-economic problems. Nonetheless, there are some ways in which changing the allocation of resources and incentive structure in education might contribute to reducing the youth unemployment problem. Significant changes in the job market may, however, be needed to make a significant dent in the problem.

11. Because much of the youth unemployment problem is due to the relatively long period before new entrants and reentrants find jobs and the unsatisfactory nature of many of these jobs, a strengthened placement function at high schools could reduce unemployment by providing a better school-work transition. I believe that the public educational system has something to learn in placement from proprietary vocational schools. These schools have long stressed job placement and are obligated to make available their placement records. In my visits with reputable proprietary schools and with business colleges and technical institutes, the importance attached to job placement activities has stood out. The stress on placement pervades the student body and teaching staff. I would favor a program that makes job placement of young persons an important activity within the school system, with employment service-type personnel and activities expanded therein. Public schools, like proprietary schools, should keep records on the job success or lack thereof of students in various curricula. Making job placement contribute more visibly and schools be more accountable for what happens to their graduates ought to improve the school-work transition process. The placement facilities at schools should be available to dropouts and other young persons as well as to graduates in each year's class.

12. Experiments with new work-study arrangements along the lines suggested by the Coleman Panel should be encouraged. Work-study arrangements, in particular during the last years of high school, can be made which make the transition of

school to work more gradually. One possibility is to offer half day of work and half day of school alternatives to students. Another is to offer periods of full-time schooling together with periods (such as in the summer) of full-time work. Either of these schemes can be made attractive by providing special certificates of work accomplishment, as well as the standard high school diploma, to graduates. There is no evidence in the National Longitudinal Survey that students who do part-time work during school suffer in their academic progress, though because of the nature of most part-time teenage jobs, there is also no evidence of greater labor market success thereafter. The types of jobs available to young persons under such a program, and in particular the training and skills afforded, must be carefully scrutinized, particularly if minimum wages are lowered or employers subsidized to hire teenage learners.

13. With respect to Career Education, it is important to recognize that: perhaps 1 million young persons enroll in proprietary business schools and technical institutes to obtain occupational training while many more enroll in junior and community college vocational courses. These schools have, I believe, been generally more successful in career education than public high schools, in part because they "sell" career education only and are judged by its relevance and value. Some public vocational schools compete in this market (Blue Hills in Massachusetts is a case in point), but there is, I believe, substantial room for cooperative ventures between high schools and proprietary schools, community, and junior colleges in provision of career education. The young person who wants to study truck-driving to obtain the relevant license with the intention of a trucking career should be given that option while in high school. Similarly for other areas. While the institutional arrangements may be complex, we should exploit the expertise and experience outside of the public high school system and create greater opportunities for students to pursue alternatives.

What Evidence is Needed?

We know less about the wages, job characteristics, and work experience of human beings than we know about the prices and characteristics of grain, hogs, and agricultural commodities. Different surveys show different rates of youth unemployment. It is important to obtain better information in several areas.

14. The Bureau of the Census October survey of high school graduates should be strengthened to obtain additional data on the wages and labor force experiences of those who do not go to college. Additional methods of obtaining information on high school graduates, possibly along the lines of the Endicott Placement Survey of college graduates, should be encouraged. We need annual information on the economic position of young high school graduates and drop-outs beyond that currently available to understand better the nature of the youth labor market problem. With respect to college graduates, the 1972 survey of the employment of the class of 1972, which apparently is not going to be replicated, should be made annually or biennially.

15. The National Longitudinal Survey of the High School Class of 1972 and the National Longitudinal Survey of men aged 14-24 in 1966 should be continued, with particular emphasis placed on the work and school experience of those who do not go to college. As the class of 1972 survey contains extraordinary detail on the school experiences of young persons, including various federal programs, this data set provides our best fix on the different impacts or different types of schooling on job success.

DISCUSSION: TRANSITION PROBLEMS

The Transition from School to Work

Several participants focused on the process of youths' transition from school to work, especially the transition to the first post-school jobs. For example, is there necessarily a tradeoff between upward mobility and freedom for teenagers on the one hand, and high teenage unemployment rates on the other?

James Coleman suggested that a tradeoff had been made in this country: Young people experience more unemployment but hold relatively fewer dead-end jobs compared to the countries of Western Europe and Japan. Young people in those countries tend to have more limited aspirations, and they fit into job patterns without much search and experimentation. He observed that no one has been able to determine a way to keep young people's options open, while at the same time focusing on a limited set of concrete opportunities of the type available in the job market.

Senator Domenici felt that a large proportion of young people, who are about to graduate from high school, do not have a specific idea of what they are going to do in the job market. Thus, there is typically a period of search and experimentation in the job market after youths leave high school. He felt that, in general, schools seemed to be unwilling to address the issue with young people.

Peter Henle felt that the period of exploration for youths was partly an economic phenomenon, since a hundred or even fifty years ago, youths had to go to work. Their families needed income to survive.

Nancy Barrett questioned whether schools foster unrealistic expectations on the part of youth--especially in inner-city schools.

James Coleman stated that he saw a growing dichotomy between the career aspirations of youths and the types of jobs available. This dichotomy is not limited to black youth. However, it is more pronounced for youth living in lower-income environments. Such an environment tends to generate unrealistically high aspirations--"perhaps akin to day-dreaming."

David Mundel of CBO suggested that the situation in lower-income schools may present a dilemma: Unrealistic expectations lead to frustrations; and yet it is not clear what role, if any, schools should adopt in affecting teenagers' career expectations in such circumstances.

Professors Freeman and Coleman stated that various work-education arrangements may be a promising approach to helping youth make the transition from school to the labor market.

Professor Coleman stated that youth, not only in this country but others, were becoming less tolerant of authority. He proposed that, in view of these changes, entitlements might receive consideration--a policy in which youth would be allowed wider choices in selecting their education and training.

Senator Domenici expressed particular interest in the possibilities for some new institutional thrusts that might have some short-term impact on teenage unemployment--possibly similar to the Civilian Conservation Corps approach of the 1930s.

Job Placement of Graduates

Responding to Professor Freeman's statement that transitional services, such as placement, might reduce teenage unemployment, Beatrice Reubens cautioned that it would not be sufficient to have schools become much more active in the placement area without also involving the U.S. Employment Service, manpower agencies, unions, and employers. She also questioned whether proprietary schools had done a good job in placing graduates.

Bernard Anderson emphasized the possibly fruitful role that the Public Employment Service could play since public schools had not in the past taken an active role in placing graduates. Moreover, budgetary problems were likely to constrain the actions of schools in this area.

MANPOWER POLICY ISSUES AND OPTIONS

FOREIGN EXPERIENCE

by

Beatrice G, Reubens*

Unemployment Levels

In the 1960s Americans could look with envy at the low teenage unemployment rates and ratios in other countries. But in recent years and especially since the recent recession began, many countries fear that they are entering "An American Way of Unemployment," as a recent article in a British magazine put it. At the beginning of 1976 Australia registered a 15.6 percent unemployment rate for teenagers, in contrast to an average of 3.9 percent throughout the 1960s. The corresponding adult rates were 3.2 and 1.1 percent. Among the other countries where the ratio of teenage to adult unemployment rates have reached or exceeded American levels in recent years are Sweden, Italy, France, Denmark, and Belgium. It is rare to find a country with a ratio of less than 3:1 for youth to adult unemployment rates. One example is Japan where job vacancies for new entrants were much more numerous than the 1975 graduates from junior high school (7:1) and senior high school (4:1). But correspondingly the burden of unemployment falls heavily on workers of 45 and over.

Unlike the American situation during the latest recession where teenage unemployment rates rose relatively less than adult rates and the ratio actually dropped from 4.2 in 1974 to 3.1 for the first nine months of 1975, foreign countries have shown rising ratios during the recession years. It will therefore be necessary to wait for the data on the recovery period to judge whether permanent teenage unemployment problems have emerged in countries which earlier were free of them. From other types of analysis, however, it is safe to say that problem groups within the teenage sector have been identified and that

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these represent structural difficulties. Moreover, several of the foreign countries face the prospect of an increasing number and share of young people in the population and labor force, while the United States will have a decline in the number of teenagers at least into the mid-1990s at the same time as the total population and the working age population above 20 will continue to increase.

Most foreign countries do not count as unemployed teenagers in full-time education who are seeking jobs during the school year. The proportion of teenagers both in school and the labor force tends to be much lower in other countries than in the United States, partly because school is more demanding and partly because some countries pay allowances to youth who continue their education beyond the compulsory level, especially if they come from low-income families. Since other countries are not complaining of the decline in academic performance reported in the United States and studies in several countries show that part-time jobs during the school week are not favorable to school work, several policy implications for the United States emerge:

a. Distinguish sharply in statistics and analysis between unemployed teenagers according to their school status. This will also result in a useful distinction between 16-17 year-olds and 18-19 year-olds.

b. Consider that the needs of unemployed in-school youth may be met as well or better through educational and income maintenance policies as through job policies. Paid services within the schools or community may also be used for this purpose and also to reduce the competition for jobs between in-and out-of-school youth.

Surveys among countries on the unemployment experience of new entrants indicate that a substantial proportion enter their first jobs without suffering any unemployment at all. Differences in the proportions who succeed in avoiding unemployment are related to the state of the labor market for youth, the degree of organization in the youth labor market (existence of apprenticeship and other formal training openings and degree of employer cooperation in recruiting), the prevailing work ethic and acceptance of going directly to work upon leaving school, the season of the year when school ends, and to a lesser extent the

deliberate efforts of the official information, guidance and placement services to pre-arrange jobs. In the case of Japan where all of the factors are favorable, 85 to 90 percent of junior and senior high school graduates avoid entrance unemployment.

Countries with strong transition services seem to shorten the entrance unemployment of disadvantaged or handicapped teenagers, those with inferior academic credentials, those whose occupational aims are higher than the achievement of their relatives and peers, and those who cannot find work close to home. The existence of remedial, social, intensive counseling and other services as well as training programs aid in the placement of these groups.

While those who remain with the same employer suffer some lay-off unemployment, it is much less than the unemployment of those who change jobs. However, a large proportion of youths do change jobs without any unemployment at all. The National Longitudinal Survey of American youth indicates that for youth 16-21 years old who had changed employers between 1968 and 1971, three-fourths had experienced no unemployment during the preceding twelve months. Among countries, success in job-changing without unemployment is related to the tightness of labor markets, since the proportion of voluntary job-changing is higher in such circumstances and voluntary job-changers suffer less unemployment than involuntary.

American teenagers who are full-time in the labor market appear to change jobs somewhat more frequently than youngsters in other countries, allowing for differences in the tightness of labor markets. In every country small groups of very frequent job-changers have been identified among teenagers and young adults. They usually account for a disproportionate share of all *youth* unemployment, although under favorable economic circumstances, the duration of their unemployment may be the same as the average for all youth. These young people often have personal or social problems as well as employment problems. A suspected but unmeasured differential is the willingness and economic ability of teenagers in various countries to abstain from job search between jobs.

There is some evidence that those who enter the labor market and change jobs without unemployment do somewhat better in terms of type of job and earnings than those

who have some unemployment. Some doubt is cast on the job-search theory which posits that unemployment may have value for job-seekers.

Apprenticeship and Formal Training

Among the attractions of apprenticeship and other formal training for youth are the ease of pre-arrangement which avoids entrance unemployment and the tendency of apprentices and trainees to remain with the first employer. Apprentices are not immune to unemployment but they have shown greater stability during training than other youth. Historically, countries with such programs have had lower unemployment rates than others. However, the result may be due as much to the general willingness of employers in these countries to hire untrained youth as to the apprenticeship system itself. In Great Britain, where young girl school-leavers have relatively few apprenticeship and training openings compared with boys, the girls' unemployment rates have usually been lower than those of boys who enter apprenticeship in relatively large numbers.

Apprenticeship is of course also valued because of its access to skilled status and good pay. Not all apprenticeship is of this character, however, and some apprenticeship programs which place young people in small stores, workshops, offices and the artisan trades are under attack because they offer poor training, inadequate pay for production work, and no real future in the occupation since there is an oversupply of trainees. A German study of men in the labor force who had undergone apprenticeship in craft or artisan trades showed that about 60 percent of them were not working in such workplaces in 1970.

Perhaps the most serious restriction on apprenticeship as a method of easing the transition from school to work is the declining interest of employers in providing it. In absolute terms and as a proportion of all skilled workers, the number of apprenticeship places has declined in several countries where the system has been well established--West Germany, Great Britain, Australia are among them. The reasons given are the rising cost of training, prolonged schooling which deprives the employer of the preferred age-group and wide selection of young people, and technological and organizational changes which reduce the needs for well-rounded craftsmen. In short,

production conditions in Europe are coming closer to those in the U.S. However, Japanese enterprise training continues to operate successfully as a bridge between school and work.

It appears that the institution of apprenticeship as it has been organized is likely to decline rather than expand, although certain strongholds such as the construction trades are unlikely to wither away. While we may not have reached the upper limit of apprenticeship in the United States, it is hardly likely to provide a major avenue for youth to avoid entrance unemployment.

Differential Wage Rates for Youth

Many foreign countries have legal provisions, collective bargaining arrangements or traditions which permit or specify that youth may be paid less than adults, often in a fixed percentage varying by year of age. These provisions have been cited in the past as a cause of low youth unemployment rates. However, the relevant comparison is not between legal or contract provisions and actual adult wage rates. It is between the actual hourly or weekly earnings of youth and those of the relevant adults. The minimum is not a maximum and it does not limit the wage increases available to youth. Moreover, the uniform minimum wage which prevails in the United States cannot be judged in the absence of wage rate distributions for covered youth which indicate what proportion are paid at or very close to the prevailing legal minimum wage. If an insignificant proportion are at that level, it is almost certain that a reduced minimum for youth would produce very few new job acceptances by youth. Conversely, a heavy clustering of youth wage rates at the minimum would suggest that a pay reduction might increase the number of youth jobs, but not necessarily the total number of people at work. Surprisingly little analysis of actual youth earnings has been done, either in the U.S. or abroad. Preliminary comparative study of youth earnings suggests the following:

a. The actual movement of youth earnings abroad since the end of World War II has been more in favor of youth than any other age group, with only slight variations due to demographic or economic trends.

b. Several countries report a growing reluctance on the part of employers to hire young workers because

there may be a cost disadvantage over other age groups, especially if induction and training costs for youth are included.

c. Apprentice wages in Britain have in some cases equalled or exceeded those of comparable young workers. In other countries where apprentices are paid educational allowances, these have risen so steeply that some employers see them as competitive with regular wages.

d. Youth earnings in the United States, taken year by year and separately for industries, probably are not a higher percentage of adult earnings in the same industries than is the case in many other advanced nations.

e. Although no harm can come from establishing a separate youth minimum in the United States, it is unlikely that it will result in many new youth jobs so long as actual wage rates are at present levels. A county-wide high school employment office in Westchester, New York, reported recently that any offers of part-time jobs which did not pay at: least $2.00-$2.50 an hour were a waste of time. Similarly, the national permit system which enables employers to pay students less than the minimum has produced relatively few applications and even fewer actual utilizations. Youth wages are as sticky as all others.

Youth Transition Programs

To a surprising extent nations are following a parallel course in appraising and prescribing for the structural problems affecting at least a portion of their teenagers. The dissatisfaction expressed in the United States with high school education and the consequent attention to Career Education has not been repeated precisely eleswhere, but other nations are seeking to bring education into closer proximity to the world of work, to inform young people about the options and conditions they will face, to combine school and the workplace, to bring general and vocational education into harmony, and to devise new forms of education/training for the segment of youth which will not or cannot master the basic cognitive skills. The last group, varying in size from country to country, is not a new phenomenon, but it causes increasing concern as the economy provides fewer

and fewer jobs for such youth. Special programs have been instituted for remedial work and second-chance opportunities, but it is too early to appraise them.

In the very best of European programs to build bridges between education and work some elements are present which contribute to effective operations. The legislature sets forth the objectives, guidelines and financing, but leaves to executive agencies the working out of details. The legislation provides for a delay in the start-up of the program, as much as four or five years, in order that adequate preparation may occur. A combination of the education and manpower agencies does the overall planning, establishes the responsibilities of the various agencies at all levels of government and sets up advance training or retraining courses for those who will deliver the actual services. Such advance training is a key factor, too often neglected in American social programs. After the preliminaries are well under way, the new program is introduced gradually, starting in one part of the country or one type of school and expanding to national coverage as trained personnel emerge from the special courses. The entire program is reviewed after it has been in operation for a stipulated number of years, but modifications may be made by the executive agencies without recourse to legislative action within the experimental period.

Unemployment Programs

The ingenuity of man has not produced a staggering number of specific programs to cope with unemployment. A recent statement of the Council of OECD classifies the selective policy instruments under the following six broad headings: selective promotion of employment opportunities for specific areas, industries, groups or periods of time; maintaining job attachments and employment; facilitating manpower adaptation, better labor market functioning and work environment improvements; flexibility of working life; organization of migratory flows; income maintenance for persons out of work.

In identifying the countries whose unemployment programs seem outstanding, the following characteristics appear significant:

a. Programs are prepared in prosperous periods and go into effect promptly as economic indicators show declines.

b. General monetary and fiscal measures are well integrated with specific unemployment measures.

c. Within the specific unemployment measures, special programs for youth occupy a position which reflects the social priority attached to this segment of the population.

d. A sufficient variety of measures and large enough programs are provided to cover the needs of a diverse unemployed population.

e. Provisions for reducing or closing down of programs are set as a response to changes in the economy and programs are not ended simply for financial reasons.

f. A set of basic programs for training, mobility, income maintenance and other measures is kept permanently in place with cyclical variations in the utilization.

Comparing the actual programs in the U.S. with those of other countries in the present recession, one observes not only a greater variety abroad but also relatively less dependence on public service employment. Instead, one of the newer and most widely used types of measure in both all-age and youth specific unemployment programs has been the subsidy to encourage training and employment or combinations of both. Subsidies have been offered to private employers and to various levels of government in an effort to encourage the same intake of young trainees, apprentices and workers as before the recession. Such programs also are advocated for their contribution to output at little cost above the income maintenance payments.

Countries vary considerably in the scope, flexibility and administration of their programs and in the response of employers to incentives. But little can be said as yet about the effectiveness, advantages and disadvantages of individual programs for youth or about the longer-run impact on individuals and the economy.

COPING WITH TEENAGE UNEMPLOYMENT

by

Sar A. Levitan*

This brief statement was prepared in response to Dr. Alice Rivlin's invitation to comment "on the potential use and limitations of conventional monetary and fiscal policies in dealing with teenage unemployment. Can specific more targeted policies, such as changes in minimum wages legislation and the various types of public employment training programs, play a very major role in dealing with teenagers' problems in the labor market?"

In Good Times

Let's first do away with the myth that the overall state of the labor market has limited or no impact on teenage employment. The fact is that during the 1960s when we last experienced sustained tight labor markets teenage unemployment plummetted down to acceptable levels, at least for white youth. The unemployment rate of white male youths 18 and 19 years old declined to a respectable 8 percent in 1969 from 14 percent six years earlier, even while the labor market was absorbing the initial deluge of post World War II babies. Similarly, in the preceding tight labor markets during the early 1950s unemployment of 18 and 19 year old white males declined even more, to 7 percent.

Lest we think that the decline was all due to the draft, a look at the number employed in civilian jobs would show that the number of employed 18 and 19 year olds rose by half a million, or 40 percent, during the

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same period. Young females who were not directly affected by conscription also fared better in the labor market. The number of employed 18 and 19 year old white females also rose by 50 percent to 1.5 million and their unemployment rate declined from 13 to 10 percent.

The employment problem of black youth appears to be much more intractable and did not melt away in the warmth generated by tight labor markets of the 1960s. The unemployment rate of 18- and 19-year-old black males never dropped below 19 percent and the lowest unemployment of black females in the same age category did not decline below 26 percent.

The evidence is clear then that tight labor markets would largely resolve, not just ameliorate, the problems of white youth unemployment. A small minority of white youth and a larger proportion of black youth will continue to require special assistance to ease them into self-support. The assistance that black youth require will have to reach out, however, beyond the usual employment and training measures and encompass desegregation in housing as well as improved schooling. No doubt the high black youth unemployment is also connected with the increase in welfare during the 1960s and early 1970s and a comprehensive effort to reduce unemployment among black teenagers would have to overhaul the various rules and practices that treat work and welfare as separate worlds. Arrangements will have to be designed that would allow youth from poor homes to combine work and welfare until they work themselves out of poverty.

The Work Ethic Is Not Dead

But do teenagers want to work? Have America's young given up on the work ethic? The numbers are revealing. It is true that the labor force participation rate of 18- and 19-year-old male youths continued to decline during the first two decades following World War II. The culprit, however, was not rejection of the work ethic, but a commitment to longer education and preparation for work. Increased affluence, partly due to more mothers opting for work than home care, also reduced the pressures on teenagers to supplement family budgets.

But the past decade, which presumably witnessed the demise of the work ethic, has not affected America's youth. Labor force participation (including armed forces) of 18- and 19-year-old males has been on the increase from 69 percent in 1965 to 73 percent a decade later, while females in the same age category have registered the highest labor force participation rate since the end of World War II. During these years their labor force participation rate rose from 49 percent to 58 percent.

Excepting a minority of youths who need special assistance to find and retain jobs, it would seem that all the help that most teenagers needed to function effectively in the work force was enough jobs to go around. In labor markets with large job deficits it's only to be expected that the inexperienced will be shoved to the end of the line arid some will give up completely. My prescription for the day is that the best way to reduce unemployment--for youth as well as adults--is to create jobs.

Minimum Wages

But this approach, although effective, lacks appeal to the administration and to many in Congress. Instead of opting to create new jobs, they seek the reasons for youth unemployment elsewhere. A favorite whipping boy (or girl) of the disturbingly high youth unemployment rate is the minimum wage. The explanation is simple; by imposing a minimum wage, the government prices youth out of the labor market. The solution is equally straightforward--abolish the statutory minimum wage and let youth work for lower wages. Like most simple solutions, this is also the wrong solution.

A confession is in order. I once testified before another congressional committee in favor of a lower dual minimum wage for youth. At that time tight labor markets and increasing numbers of teenagers seemed to suggest that the dual minimum wage may have made economic sense. But Congress in its wisdom rejected the recommendation and whatever its merits in the past there is little to be said in its favor in today's labor market, given the projected decrease in the supply of teenagers by the end of this decade and continued high unemployment possibly for the rest of this decade. Anyway, there is room to question the salutory impact of a dual minimum wage. While the rhetoric on the subject abounds, Dr. Robert Goldfarb, a

colleage at The George Washington University, has examined the evidence. Based on the plethora of econometric studies he concluded that a 25 percent increase in the minimum wage would lower teenage employment by 3.5 to 5.5 percent. This would appear indeed a significant reduction. But these blessings cannot be taken in isolation. While a dual minimum wage may reduce teenage unemployment what will it do to their elders? Dr. Allan Fisher addressed himself to the issue in a paper he prepared last year for the U.S. Department of Labor. His conclusion was that the additional employment of about 800,000 teenagers will result in the disemployment of some 500,000 adults. Is this a worthwhile tradeoff, considering that in the years ahead the number of teenagers will be on the decline while the number of young adults will still be on the rise for several years longer?

What Can We Do?

Does this mean that we have to settle for burdensome high youth unemployment and to risk the eruption of the social dynamite (to borrow Dr. James B. Conant's apt phrase) that is inherent in a high youth unemployment economy? Dr. Conant's warning of 1960 has been well supported by the crime statistics and other social ills that dominated the American scene during recent years.

Is youth unemployment an insurmountable problem? We don't have to wait for tight labor markets before the question can be answered. Altogether the job deficit of the long-term unemployed teenagers stood at 425,000 at the latest count. A combination of public job creation, the expansion of stipends for institutional and apprenticeship training, and the expansion of the Job Corps could absorb the bulk of the long-term unemployed teenagers and reduce the total job deficit in the process.

The arithmetic is simple. If Congress revives the vetoed job creation bills, the measures would create about one million jobs by funding public works, community-based organizations and public service jobs. Congress could require that teenagers share in the new jobs in proportion to their share in the total unemployment. Community-based organizations would be in the best position to serve minority youth and could be required to give them priority in the federally funded jobs.

Another and possibly sounder strategy for creating jobs is the expansion of apprenticeship and institutional vocational training. We should not just wish for better times but plan for them. When the economy recovers there will be a demand for skilled workers. A long-term investment in today's unemployed youth would result in a large payoff when the economy recovers.

DISCUSSION: MANPOWER POLICIES

Foreign Manpower Policies

Beatrice Reubens began the discussion by commenting on the limitations of, and the value of, comparative studies among countries. She stated that it was difficult to isolate the effects of policies from differences in underlying economic and social conditions. She felt that intercountry differences in attitudes on the part of employers played an important role. In some countries, employers seem more willing to cooperate in assisting youth to get established in the job market than in others. As a reason for studying experiences of different countries, she suggested that there are similarities among countries in the sense that phenomena appearing in one advanced industrial country may be either present or may eventually appear in other industrial countries.

While some industrial countries have managed to avoid high teenage unemployment rates as an endemic or long-term phenomenon, she questioned whether or not the underlying conditions which have contributed to low unemployment in those countries in the past may now be changing. The relative importance of apprenticeship may be on the wane, and youths' attitudes toward work and careers are changing. Demographic factors are becoming less favorable to low teenage unemployment in some countries of Western Europe that enjoyed low teenage unemployment rates during the 1950s and 1960s.

William Stringer (of the Senate Budget Committee staff) asked about the foreign experience with wage subsidies as a method for dealing with youth unemployment. Dr. Reubens responded that the policy has been more effective in Sweden than in France. In addition, she observed that firms in some countries are more interested in cooperating with manpower policies than in other countries. In some countries firms and unions are relatively more paternalistic toward youth. She felt that some, but not all, of this difference in attitudes toward youths was due to differences among countries in unemployment conditions.

U.S. Manpower Policies

Sar Levitan took issue with the position that youth unemployment does not respond to aggregate (monetary and fiscal) policies, or that youths do not want to work. As evidence for the view that aggregate policies do affect teenage unemployment rates and that the strength of the work ethic has not declined, he cited the experience of the late 1960s, when teenage unemployment rates were much lower than currently prevailing levels. Moreover, teenagers' labor force participation rates have trended upward in recent years (except during recessionary periods and for nonwhites). However, Professor Levitan felt that the nation should not rely only on tight labor markets to meet the teenage unemployment problem. He argued that the costs of high teenage unemployment are great, although difficult to quantify. For one thing, he cited a connection between unemployment and crime. For another, he mentioned the increased welfare burden caused by unemployment.

While the key to a longer-term solution is a tight labor market, Professor Levitan suggested that several policies could be implemented in the interim. First, jobs could be created. Rather than create these jobs in the government sector he emphasized the private, nonprofit sector, such as community action agencies. His other suggestions included expansion of apprenticeship programs and an expansion in the Job Corps. In terms of financial requirements, he calculated that an addition $2 billion could have a significant effect in serving the approximately 425,000 long-term unemployed teenagers.

On the topic of minimum wages, Professor Levitan stated that, in the tight labor markets in the late 1960s, he had supported the idea of a differentially lower minimum wage for teenagers. However, he did not support such a policy in the current context, or in the foreseeable future, because it would displace more mature workers.

Bernard Anderson argued that a lower minimum wage would exacerbate the problems (including high quit rates) which characterize the secondary labor markets in inner cities. Beatrice Reubens pointed out that regional differences in wage structure are important and that in some foreign countries allowances are made for this in minimum wage policies. None of the panelists advocated the differential minimum wage as a strategy for attempting to reduce teenage unemployment.

Professor Levitan felt that the problem of teenage unemployment was not insurmountable and that much of the reason for its existance was a failure of will to solve the problem.

Dr. Rivlin felt that there is a substantial amount of confusion that does not relate to a failure of will, but rather to real uncertainty over what ought to be done, assuming that one wanted to do something. She observed that a whole menu of possible policies is being proposed in response to high teenage unemployment. These include policies that were opposed by some of the panelists, such as a differentially lower minimum wage for teenagers or the summer job program. The group was asked for comments on priorities.

Bernard Anderson cited the need to improve the quality of public education and the need for policies to ease the transition from school to work. He also stressed the importance of providing opportunities for meaningful work experience for youths, and for combining learning with earning.

Ralph Smith asked what was really known about which programs do and don't work. Professor Levitan pointed out that the notion of success or failure depended to a large degree on the criteria used to judge programs.

Several participants expressed the opinion that the unemployment problem among white teenagers is relatively limited, but that there is a very serious problem with regard to the inner city, particularly minority teenagers. Peter Henle felt that the unemployment problem for inner-city youth has to be approached in comprehensive terms--education, work, and the corrective justice system as well. While acknowledging that there were serious long-term, structural problems, Professor Levitan felt that it was important to focus on specific measures for countering the most serious effects of a slack job market.

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