

Decline in youth population does not lead to lower jobless rates

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During the first half of the 1980's, the size of the youth population has declined considerably. In combination with the expected employment growth in industries that rely on young workers, the decline in the number of such workers was expected to improve their employment prospects. However, a review of the youth labor market trends during the first 7 years of the population contraction presents a different picture.

As persons born during the "baby bust" period, which started in the mid-1960's, entered the 16- to 24-year-old age group, the civilian noninstitutional youth population dropped 8.0 percent from a level of 37.0 million in 1979 to 34.1 million in 1986; the extent of this decrease differed between various age groups. (See chart 1.) While this decline was taking place, two recessions caused sharp increases in unemployment for all age groups in the labor market, including the shrinking pool of young workers. Although the economic recovery that began in late 1982 improved the employment situation for all groups, the unemployment rates for youths, like those of their adult counterparts, were higher in 1986 than in 1979.

Overview

Most 16- to 24-year-olds are in the midst of a major transition from a school-centered to a work-centered life. This transition has a direct impact on their participation and success in the job market, as shown in the following tabulation of data for October 1986:¹

	16 and 17 years	18 and 19 years	20 to 24 years
Percent enrolled in school	92.3	54.6	23.6
Participation rate	44.5	65.2	78.9
Employment-population ratio	35.5	54.1	70.5
Unemployment rate	20.2	17.0	10.7

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The youngest members of this age group, persons 16 and 17 years old, have limited ability to participate in the labor force because most of these teens are still in school. Their lack of work experience and training limits their appeal to many employers. Many of these young teens are supported by their families, and their employment is mainly a source of spending money or savings for further education or purchases of "big-ticket" items. As a result, many of these younger persons work intermittently.

School attendance and lack of work experience also restrict the labor force activity of 18- and 19-year-olds and young adults (persons 20 to 24 years old), but to a lesser extent. Many 18- to 24-year-olds are out of school, and they typically have some work experience and training; these factors make it easier for these persons to find jobs. Older out-of-school youths, however, bring higher expectations and needs to the labor market. Many of these workers must try for the first time to support themselves and, in many cases, new families. Within 4 years of completing high school, for example, about a quarter of the 1980 high school class had been married.² Thus, in line with increased participation in the job market, the type of employment sought by young people also changes significantly as they move through their teens and into their early twenties.

Sixteen- and 17-year-olds are most likely to hold or seek part-time jobs, while most 18- and 19-year-olds and 20- to 24-year-olds are in the full-time labor force. Teenagers also tend to be confined to unskilled and lower skilled jobs, with about half of employed teens working in service and operator, fabricator, or laborer occupations in 1986. Young adults, by comparison, are much more likely to work in managerial, professional, and precision production, craft, and repair jobs. This movement from less skilled to more skilled occupations and the increased value of youths to employers as young people gain job experience typically lead to rising earnings. In 1986, average weekly earnings for men age 16 to 19 years were \$185 while men age 20 to 24 years earned \$264; average weekly earnings for women age 16 to 19 years were \$169 while women age 20 to 24 years earned \$231.

One widely reported result of the declining youth population has been recruiting difficulties in some retail trade and services industries.³ The rapid job growth in industries such as eating and drinking places, combined with the declining number of young people available to fill the job openings,

Chart 1. Growth of the youth civilian noninstitutional population, 1962-86

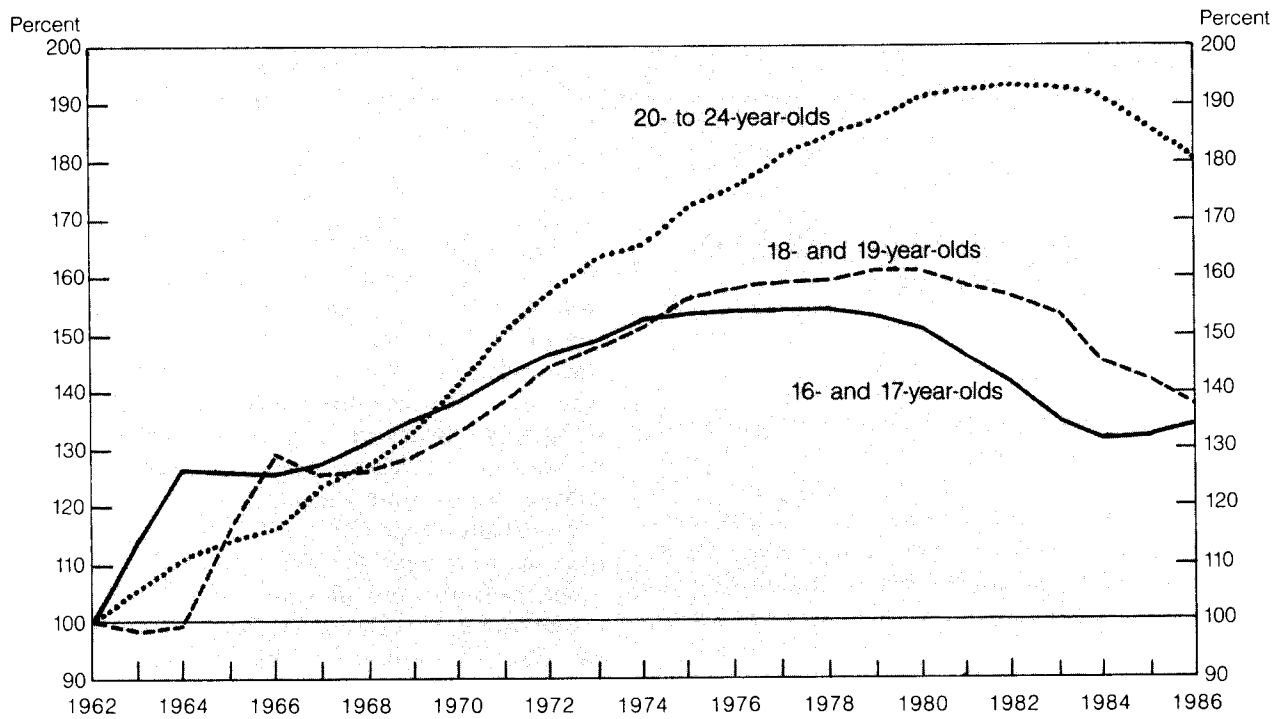
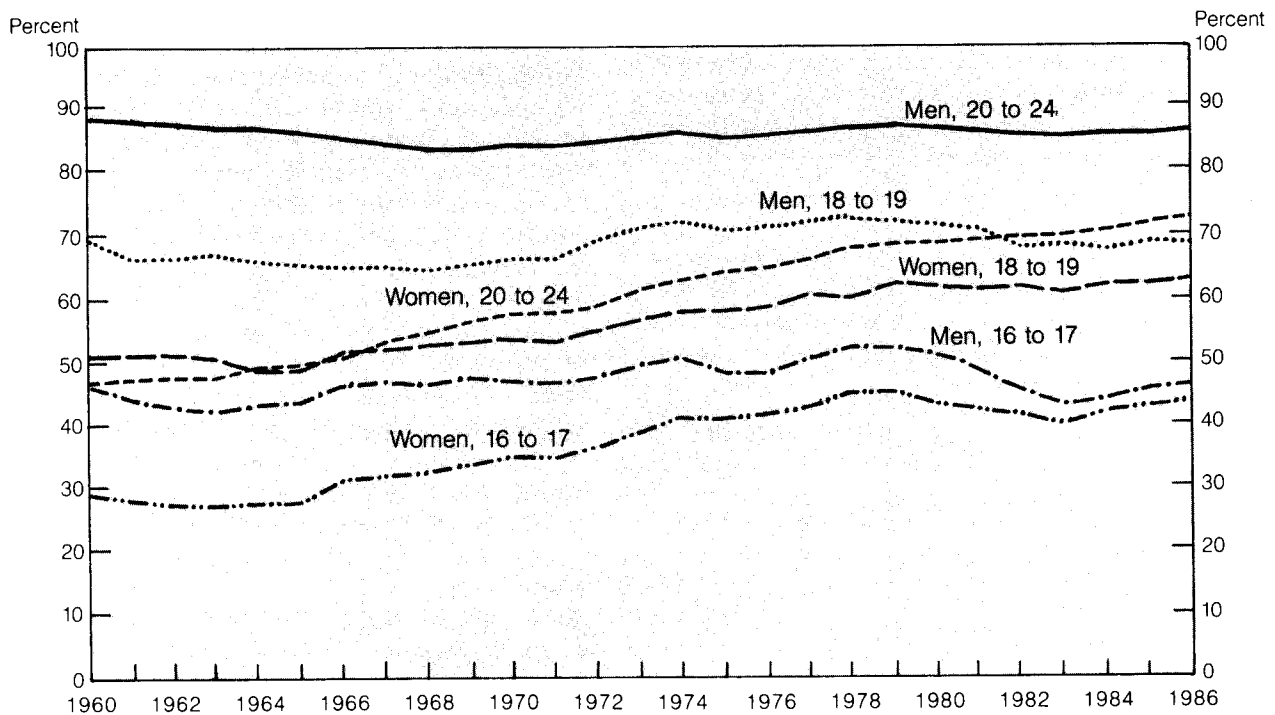


Chart 2. Labor force participation rates by age and sex, 1960-86



has caused labor shortages in some areas of the country. The numerous low-wage, low-skill jobs available in these industries are usually thought of as ideal jobs for many young people, particularly those who desire flexible work schedules and have other sources of support. Despite reported shortages of young workers, however, most measures show that a slack labor market continues to exist for young people in the mid-1980's. Some possible reasons for this problem are examined below.

Slack labor market

Back-to-back economic downturns and a subsequent recovery largely determined events in the labor market during the 1979-86 period. Between 1979 and 1982, unemployment rates for all persons, including youths, rose sharply as a result of the two recessions. Although jobless rates for youths as well as other workers fell somewhat during the subsequent economic recovery, rates for most youth age groups were still higher in 1986 than in 1979. (See table 1.) Thus, jobless rates for youths continued to remain higher despite 4 years of recovery and a substantially smaller number of teenagers and young adults competing in the labor market. The following tabulation illustrates the change in unemployment rates and the decline in population between 1979 and 1986 for persons 16 to 24 years old:

Age	Percentage-point change in unemployment rates	Percent decline in population
16 and 17 years	+2.1	-12.0
18 and 19 years	+2.3	-14.0
20 to 24 years	+1.6	-3.9

The failure of youth unemployment rates to return to 1979 levels would have been more easily understood if there had been an increase in youth labor force participation (that is, if the decreased competition due to the smaller number of youths had drawn *proportionately* more youths into the job market in the 1979-86 period). However, youth labor force participation declined. A brief look at the long-term trend in youth participation places current developments in a better perspective.

During the 1960's and 1970's, the rising youth population was accompanied by sharp increases in the labor force participation of teenage men and both teenage and young adult women. The already high participation of young adult men was relatively stable. (See chart 2.) Rising youth participation contributed significantly to the near doubling of the youth labor force between 1964 and 1979.⁴

Beginning in 1980, however, there was a sharp dip in the long-run trend of rising youth participation, precipitated by the two recessions that occurred in the early 1980's.⁵ During the 1979-83 period, the participation rates of teenagers of both sexes and young adult men fell, while the rate for young adult women remained little changed. The percentage-point changes in labor force participation rates (1979-83) for men and women age 16 to 24 years were:

Age	Men	Women
16 and 17 years	-8.4	-5.7
18 and 19 years	-3.3	-2.0
20 to 24 years	-1.6	0.9

During the subsequent years of economic recovery, the participation rates for young men and women in all youth age groups did rise somewhat, but the increase has not been what might be expected from a strong youth labor market. The participation rates for teenage men, for example, have failed to rise to their prerecession levels. (See chart 2.)

As shown in table 1, a similar pattern can be seen in the employment-population ratios for youths. The ratios for both younger and older groups declined from 1979 to 1982. With the onset of the economic recovery, the ratios of each group rose; however, they still remained below the prerecession levels among men and teenage women.

Also, some evidence suggests that in the mid-1980's, more young people experienced trouble obtaining full-time employment. The proportion of employed young persons who work part time for economic reasons has increased. The following tabulation shows, for selected years, the percentages of employed men and women, 16 to 24 years old, working part time involuntarily:

Age	1979	1982	1986
Men:			
16 and 17 years	8.4	11.6	9.2
18 and 19 years	7.4	14.7	12.8
20 to 24 years	4.4	8.6	7.2
Women:			
16 and 17 years	7.4	10.6	8.6
18 and 19 years	9.3	16.3	14.1
20 to 24 years	5.8	9.1	8.4

For those young people who were not in school, and who therefore were more likely to seek full-time employment, there were across-the-board decreases between October 1979 and October 1986 in the proportion of youths working full time. The percentages of employed men and women, 16 to 24 years old, working full time and not enrolled in school are shown in the following tabulation:

Age	1979	1986
Men:		
16 and 17 years	73.9	59.0
18 and 19 years	85.7	77.3
20 and 21 years	92.2	86.9
22 to 24 years	93.7	89.6
Women:		
16 and 17 years	56.6	45.6
18 and 19 years	76.2	62.0
20 and 21 years	82.5	80.1
22 to 24 years	85.3	82.2

Relatively high unemployment rates, low participation and employment ratios, and the increase in involuntary part-time work suggest a slackness in the youth labor market and raise the question: How can the labor market data be recon-

Table 1. Civilian unemployment rates and employment-population ratios for persons 16 to 24 years old by age and sex, annual averages, 1979-86

Age and sex	1979	1980	1981	1982	1983	1984	1985	1986
	Unemployment rates							
Total, 16 to 24 years	11.8	13.9	14.9	17.8	17.2	13.9	13.6	13.3
16 to 19 years	16.1	17.8	19.6	23.2	22.4	18.9	18.6	18.3
16 and 17 years	18.1	20.0	21.4	24.9	24.5	21.2	21.0	20.2
18 and 19 years	14.7	16.2	18.4	22.1	21.1	17.4	17.0	17.0
20 to 24 years	9.1	11.5	12.3	14.9	14.5	11.5	11.1	10.7
Men, 16 to 24 years	11.4	14.6	15.7	19.1	18.4	14.4	14.1	13.7
16 to 19 years	15.9	18.3	20.1	24.4	23.3	19.6	19.5	19.0
16 and 17 years	17.9	20.4	22.0	26.4	25.2	21.9	21.9	20.8
18 and 19 years	14.3	16.7	18.8	23.1	22.2	18.3	17.9	17.7
20 to 24 years	8.7	12.5	13.2	16.4	15.9	11.9	11.4	11.0
Women, 16 to 24 years	12.2	13.0	14.0	16.2	15.8	13.3	13.0	12.8
16 to 19 years	16.4	17.2	19.0	21.9	21.3	18.0	17.6	17.6
16 and 17 years	18.3	19.6	20.7	23.2	23.7	20.4	20.0	19.6
18 and 19 years	15.0	15.6	17.9	21.0	19.9	16.6	16.0	16.3
20 to 24 years	9.6	10.4	11.2	13.2	12.9	10.9	10.7	10.3
	Employment-population ratios (in percent)							
Total, 16 to 24 years	60.6	58.6	57.6	55.3	55.6	58.3	59.0	59.5
16 to 19 years	48.5	46.6	44.6	41.5	41.5	43.7	44.4	44.6
16 and 17 years	39.8	37.5	35.5	32.5	31.4	33.4	34.5	35.5
18 and 19 years	57.4	55.7	53.5	50.2	51.0	53.6	54.2	54.1
20 to 24 years	70.4	68.3	67.8	65.7	66.0	68.7	69.6	70.5
Men, 16 to 24 years	66.5	63.5	62.2	58.7	59.2	62.3	62.7	63.0
16 to 19 years	51.7	49.5	47.1	42.9	43.1	45.0	45.7	45.7
16 and 17 years	42.3	39.8	37.3	33.4	32.3	34.0	35.2	35.9
18 and 19 years	61.6	59.4	57.2	52.2	53.4	55.7	56.6	56.2
20 to 24 years	78.9	75.1	74.2	71.0	71.3	74.9	75.3	76.3
Women, 16 to 24 years	54.8	53.9	53.3	52.0	52.2	54.4	55.4	56.0
16 to 19 years	45.3	43.8	42.0	40.2	40.0	42.5	42.9	43.6
16 and 17 years	37.2	35.1	33.7	31.5	30.5	32.8	33.7	35.1
18 and 19 years	53.3	52.2	50.0	48.3	48.6	51.5	51.9	52.2
20 to 24 years	62.4	61.8	61.8	60.6	60.9	62.7	64.1	64.9

ciled with the expectation of improvement in the youth employment situation and with the recent reports of shortages of young workers in some retail trade and services jobs. In part, the answer lies in the underlying causes of the youth employment problems.

Worker competition

To a great extent, the employment difficulties experienced by youths arise from factors that are inherent to the group. As mentioned earlier, the youngest members of the labor force naturally have little or no job experience or specialized training. They also are less settled and dependent upon their own earnings than older workers and are therefore more likely to leave jobs. For minority youths, who have faced particularly bad employment prospects for a long time, these disadvantages can be compounded by other factors, such as low levels of educational preparation, poor job search skills, reduced job opportunities in the inner cities, and discrimination.

For the above reasons, young workers are especially susceptible to competition from other groups in the work force and experience their best employment prospects during periods of high aggregate demand. During such periods, the most preferred workers are in short supply, and employers turn to less desirable, younger workers. Conversely, as the supply of available adult workers increases during down-

turns, opportunities for youths decline.⁶ The effect of the "baby bust" on job market competition among young people during the first half of the 1980's may have been offset by the large number of people born during the last few years of the "baby boom," who were not yet settled in jobs.⁷ In fact, the number of 20- to 24-year-olds did not drop appreciably until the mid-1980's.

In some retail trade and services industries, young people are not the "employees of last resort"; the demand for young workers in these industries is great. However, for some youths, particularly those who are not in school and are seeking full-time, higher paying jobs, part-time jobs in retail trade and services may not be acceptable. These young people may prefer to invest their time in more training or job search than in part-time work. Thus, shortages of young workers could occur in such industries even as young people experience difficulty finding full-time employment in other sectors of the economy.

Sluggish manufacturing

The continuing difficulties in the industrial sector also may have hurt the employment prospects for young workers, despite their population decline. Prior to the recessions of the early 1980's, the manufacturing sector was a major employer of youths, especially out-of-school young men. However, between 1979 and 1986, manufacturing employ-

ment declined significantly, dampening the employment opportunities available to young people. The percentage of out-of-school young men working full time in manufacturing fell sharply between October 1979 and October 1986, as shown in the following tabulation:

Age	1979	1986
16 and 17 years	15.1	6.7
18 and 19 years	27.0	13.6
20 and 21 years	29.7	22.2
22 to 24 years	28.0	20.6

The disadvantages of young workers, such as lack of experience and training, would have been especially pronounced in manufacturing, where the lack of employment growth created a substantial pool of available older workers. And, the slow growth in manufacturing employment would have affected young men more than women, because young men made up about two-thirds of the youth work force in manufacturing. This could explain in part why young men were worse off in 1986 relative to their 1979 employment status than were young women.

THE FIRST HALF of the 1980's was the beginning of a period of declining youth population, a development that will continue into the mid-1990's. Although this decline was expected to lead to a better employment situation for youths, no clear improvements are evident. While further decreases in the youth population may yet lead to improvements, the experience of the first half of the decade indicates that youth employment problems are not easily overcome.

—FOOTNOTES—

¹ The data used in the analysis for the most part are annual averages derived from the Current Population Survey (CPS), which is a monthly sample survey of 59,500 households nationwide and the principal source of information on U.S. labor force and employment trends. The CPS is conducted by the Census Bureau for the Bureau of Labor Statistics. Labor force data by school enrollment are from the October supplement to the CPS, which has provided such information since 1959. Monthly estimates of the school enrollment status of youths have been available starting with the data for January 1985. See Anne McDougall Young, "New monthly data series on school age youth," *Monthly Labor Review*, July 1985, pp. 49-50. These data were not used due to the limited historical series.

² *Four Years After High School: A Capsule Description of 1980 Seniors*, CS 86-210 (U.S. Department of Education, Center for Statistics, Office of Educational Research and Improvement, August 1986), p. 9.

³ Martha Brannigan, "A Shortage of Youths Brings Wide Changes to the Labor Market," *The Wall Street Journal*, Sept. 2, 1986, pp. 1 and 21; Dirk Johnson, "Labor Scarcity Is Forcing Up Low Level Pay," *The New York Times*, Mar. 17, 1986, pp. B1-2; and Caroline E. Mayer, "Low Level Jobs Remain Unfilled," *The Washington Post*, Nov. 25, 1985, Washington Business pp. 1 and 126-27.

⁴ If the participation rate of persons 16 to 24 years old had not changed over the period, the increase in the youth labor force would have been only about 50 percent.

⁵ For a discussion of the relation between youth labor force participation and the business cycle, see Kim B. Clark and Lawrence H. Summers, "Demographic Differences in Cyclical Employment Variation," *The Journal of Human Resources*, Winter 1981, pp. 61-77.

⁶ Arvil V. Adams, Garth L. Mangum, and Stephen F. Seninger, *The Lingering Crisis of Youth Unemployment* (Kalamazoo, MI, W.E. Upjohn Institute for Employment Research, June 1978), p. 5.

⁷ David E. Bloom and Richard B. Freeman, "The 'Youth Problem' Age or Generational Crowding?" Working Paper Series No. 1829 (Cambridge, MA, National Bureau of Economic Research, Inc., February 1986); Norman Bowers, "Young and marginal: an overview of youth employment," *Monthly Labor Review*, October 1979, pp. 4-16; and Albert Rees, "An Essay on Youth Joblessness," *Journal of Economic Literature*, June 1986, pp. 613-28.

Weekly earnings in 1986: a look at more than 200 occupations

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The Bureau of Labor Statistics has updated its series on the weekly earnings of wage and salary workers who usually work full time. This summary presents 1986 usual weekly earnings in 230 occupations and, for many occupations, the female-to-male earnings ratio. It is the only source from which such detailed data are available on an annual basis.

Median earnings vary greatly among occupations. For example, workers in three of the engineering specialties had median weekly earnings of \$700 or more in 1986—about twice the overall median of \$358. This was also the case for such workers as economists, lawyers, and airplane pilots and navigators. By comparison, private household workers and those employed in "food counter, fountain, and related occupations" had median earnings below \$160 a week. These data are shown in table 1, which provides information on wage and salary workers (excluding the incorporated self-employed) who usually work 35 or more hours per week.

Within occupations, there is likely to be a wide range of earnings because each occupation encompasses diverse jobs with differences in educational requirements, skill levels, market demand, and other variables. Also, workers in each specialty may have different duties, responsibilities, workweeks, and job tenure. For example, included under physicians are nearly 100 specific titles, ranging from interns to neurosurgeons.

As was the case in previous years, the 1986 data are limited to occupations in which there are at least 50,000 full-time wage and salary workers. There are not enough observations to compute reliable medians for those occupations with fewer than 50,000 workers. Even for the median earnings shown in table 1, caution must be used in interpreting small differences between groups, particularly when the number of workers in a job category is also relatively small.¹

Information on weekly earnings of wage and salary workers has been collected since 1967 through the Current Population Survey (CPS). Prior to 1979, these earnings data were

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