

Bloomberg

Teens Chasing Scarce U.S. Jobs Boosted by State Programs

By Ben Schenkel - Dec 4, 2013

Eduardo Bueno landed a job as a hotel bellman in [New York](#) this year after finishing a youth employment program that let the 18-year-old practice interviewing and overcome a nervous stutter.

With his first full-time position, Bueno said he can help his mother financially and plans to start taking college classes. “My main dream is to get my bachelor’s in hospitality management and become a general manager someday,” said Bueno, who is from New York’s Lower East Side.

Like all businesses in New York state, the [Holiday Inn](#) where Bueno works is eligible to receive a tax credit for students between ages 16 and 19 on the payroll. Approved earlier this year to help offset a minimum-wage increase, the policy is designed to spur hiring of teenagers and prevent further decline in their employment levels.

As states raise their minimum wages, local officials are grappling with how to make their young populations less costly and more qualified to hire. Nationwide, unemployment for those ages 16 to 19 was [22.2 percent](#) in October, compared with [7.3 percent](#) for the overall population, according to Labor Department data.

“This has been the worst decade for teenage employment in our history,” said Andrew Sum, an economics professor at [Northeastern University](#) in [Boston](#) and director of its Center for Labor Market Studies. “The variations by gender, race and income are massively high.”

Black Males

The jobless rate for black male teenagers, at 37.7 percent, is more than double that of their white female counterparts, the October numbers showed. Not having a job as a teenager can result in elevated odds of future unemployment and reduced lifetime earnings, [research](#) by Sum and [others](#) has found.

Teenagers are competing with older workers unable to retire for low-skill jobs in retail and services, Sum said. The segment of those ages 16 to 19 who are employed has tumbled over the last 10 years, to 26.6 percent last month from 36.2 percent in October 2003. Those ages 55 and older with jobs began to surpass the levels for teenagers in 2003 and outstripped them the most in June 2010. That gap has remained steady since.

“These young people will be a decade or more behind, compared to the previous generation, because they won’t have early work experience,” said Kisha Bird, a senior policy analyst at the [Center for Law and Social](#)

[Policy](#), a Washington-based policy group focused on low-income Americans. “They have limited skills, they’re not enrolled in school and they don’t have basic credentials.”

Sub-Minimum

To connect more teenagers with jobs, lawmakers in some states have proposed making them cheaper to hire amid [minimum-wage](#) increases for other groups. Five states this year, including New York, have enacted new pay floors that already or will exceed the federal level of \$7.25 an hour. This means 21 states and [Washington](#), D.C. mandate paying above the national rate. Legislation to raise the federal minimum wage has been stalled in Congress.

Setting a different legal wage for teenagers has gotten support from the [National Federation of Independent Business](#). The Nashville-based lobbying group pushed such an exception to state senators in [Massachusetts](#).

A special wage for teenagers “would provide relief for many small businesses” and “would create opportunities for kids to break into the labor market,” said Bill Vernon, the NFIB’s state director for Massachusetts, in prepared [testimony](#) before legislators. “We’re pricing teenagers out of the labor market and we’re robbing them of the experience they need to advance in life.”

Massachusetts Measure

On Nov. 19, Massachusetts senators passed a [minimum-wage bill](#) without that provision. The bill, which would raise the pay floor to \$11 an hour by 2016, was referred to the House.

New York’s tax credit for employers was intended to offset hiring cuts that opponents of a [higher minimum wage](#) said it would cause. The increase starts next year and phases in to \$9 an hour by 2016.

Employers of teenagers who qualify can request refunds that will total \$66 million a year as of full implementation, according to the state’s budget estimates.

Teenagers already make up about 60 percent of the non-salaried staff of Modell’s Sporting Goods Inc., said recruiter Gregory Hambric. The New York-based retailer may hire more teenagers and plans to apply for the tax credit, though “not as a crutch” where it would systematically replace workers once they hit their 20s, Hambric said. “The key is to get individuals who are willing to work, who want to gain skills and advance their careers,” he said.

Credit Criticized

The tax credit has drawn criticism from the [Fiscal Policy Institute](#), an economic research organization in New York that focuses on state and local tax policy and public services. The group’s chief economist, James Parrott, called it “the worst policy idea I’ve ever heard of” for boosting teenage employment.

Since the policy applies only to students, it excludes teenagers who need help the most, Parrott said. The credit stops if teenagers get paid more than the minimum wage, locking them into it as a result, he said.

What Parrott recommends, instead, is greater investment in programs that reach out to detached teenagers, provide training and connect them with employers. A McKinsey & Co. [report](#) that surveyed U.S. employers found that 45 percent cited a [skills shortage](#) as a major reason for entry-level vacancies.

Mentoring Programs

[Organizations](#) across the country are using public and private money to mentor young people they've screened, often from poor backgrounds, and persuade local businesses to hire them. The Henry Street Settlement, a New York-based social services agency, assists teenagers with building "soft skills," such as appropriate dress and punctuality, while also exposing them to different industries.

The free prep classes Bueno took at the Henry Street Settlement allowed him to "accomplish just about everything I wasn't close to accomplishing before," he said. The nonprofit grooms teenagers like Bueno and gives them "access to a possible career trajectory they didn't know existed," said David Garza, its [executive director](#).

In Philadelphia, a [work-readiness](#) initiative not only helps arrange jobs for teenagers, it also handles payroll directly, according to Stephanie Gambone, executive vice president with the [Philadelphia Youth Network](#).

The subsidized wages, from a pool of public money and donations from employers and foundations, partially funded an internship for Nahree Anderson through Penn Medicine's High School Pipeline Program. Anderson, now 21, has since been hired as a full-time nursing assistant at the Hospital of the [University of Pennsylvania](#).

Real World

"I didn't realize how scary it would be, out in the real working world," Anderson said. She has worked for the same hospital since the 11th grade, and uses some of the income to provide for her seven siblings and an infant daughter.

If not for the guidance he received from Baltimore's [Hire One Youth](#) campaign, Reshaud Dubose, 19, said he probably wouldn't have gotten employed by [Wells Fargo & Co.](#) as a bank teller. He had tried applying without success in the course of doing short-term gigs like carwash attendant and door-to-door salesman.

In May, Dubose was chosen to attend a youth job fair that a city program prepped him for and that nine area banks sponsored, according to Andy Bertamini, the regional president for Wells Fargo & Co. Bertamini has organized the fair for the last two years, he said, in part because he received an opportunity, at age 17, to start his own banking career.

Today, Dubose said his financial situation is improving -- except his wife, also 19, remains unemployed. "It's hard finding a job when everyone wants experience," Dubose said. "Not too many people are willing to train, because they want someone to be an asset already."

To contact the reporter on this story: Ben Schenkel in Washington at bschenkel@bloomberg.net

To contact the editor responsible for this story: Chris Wellisz at cwellisz@bloomberg.net

©2013 BLOOMBERG L.P. ALL RIGHTS RESERVED.