

The Youth Employment Problem in the World City

by Roger Waldinger and Thomas Bailey

If New York's brush with fiscal insolvency in the mid-1970s signalled the end for America's urban-industrial economies, its revival in the mid-1980s heralds the emergence of the nation's largest urban complexes as world service centers. For the smoke-stack cities of the industrial heartland, with their specialized concentrations of industrial capital and labor, there is seemingly no replacement for the run-of-the-mill production activities that are steadily eroding under the twin impact of technological change and international competition.

But in the largest urban agglomerations, Chicago, Los Angeles, and most importantly New York, manufacturing is rapidly being replaced by a different set of activities centered around the processing of information and the transaction of high-level business deals. These advanced services are increasingly international in scope. They are drawn to the large city because its size permits the specialization of activities (legal, financial, consulting) and attracts the massive corps of high-level talent on which an international post-industrial business depends.

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Youth are perhaps the principal casualties of the transition from manufacturing to the world-service center. As Charles Silberman argued in the mid-1960s:

Technical change is said to be destroying unskilled jobs, most especially the traditional "entry jobs" through which teenagers used to make their way into the labor force—i.e., jobs that could be filled by youngsters with little education and no particular skill or training but that might lead to more skilled and better training later on.¹

Moreover, the shift from manufacturing to services is likely to reduce those lower-level jobs that have traditionally served as a "pass-through" for youth in their transition from school to permanent employment in the primary sector. Indeed, Harrison and Hill's review of employment change in ten cities from 1967 to 1974 pointed to a sharp decline in manufacturing employment in those secondary sector activities that tend to be youth intensive.²

Certainly, the data for New York City suggest that these factors have left youth out of the city's economic revival. New York's teenage unemployment rate soared from about 10 percent in 1969, when it was slightly below the national unemployment rate, to over 30 percent in 1976. Since then the rate of joblessness has yet to register any substantial movement downward, and dur-

ing 1983 teenage unemployment averaged 33 percent. By 1980, 37,000 fewer New York City teenagers were working than in 1970, and by 1983 less than one-third of New York's teenagers were in the labor force, in comparison to more than one-half for the nation at large.³

While unique in size and complexity, New York shares its position as a connection between the United States and the world economy with other urban centers—Los Angeles, San Francisco, and Chicago. Cities that serve as regional centers—Philadelphia, Boston, and Atlanta—are following along the same, if slightly less specialized, track towards service concentration. Thus, the relationship between New York's new economic base and the local demand for youth labor is likely to have major implications for many of the nation's urban centers. What follows is a look at the transformation of New York's youth labor market during that 1970-1980 period when the shape of the city's new economic function took full hold.⁴

ISN'T THIS A SUPPLY-SIDE PROBLEM?

According to conventional wisdom, the problem of the world-service city is that it is not one city, but rather two. New York, like its counterparts Chicago, San Francisco, and Los Angeles, contains concentrations of both affluent and poor populations. To the boom-

ing office complexes have come the now infamous "young urban professionals." For these inner-city gentry children are a burden; hence these newcomers have few children, but when they do their children are often sent to private schools. As for the city's post-industrial working class, this is mainly a Black and immigrant proletariat. Most of the children fed into public schools are theirs, and these children do not fare well due to the combined disabilities of class, language, and race. Between the affluent and the deprived there is still a middle class, but it is small and declining, and its children make up a diminishing portion of New York's teenage population.

From this it would follow that the problem of youth employment is really not a problem of jobs but rather a matter of who it is that makes up New York's youth. Were there not so many minorities, more young people would be at work. If they stayed in school longer, and if they learned more when at school, then the job figures for teenagers would not look so dismal.

This is the conventional wisdom; now to the data. First there is the question of New York's large minority population. Whether for reasons of discrimination or lower skills, Black and Hispanic youth have worse employment problems than whites in all areas of the country. Black and Hispanic teenagers make up a much larger proportion of New York's teenagers than is the case nationwide. Thus, New York's high youth unemployment may be a function of ethnic proportions in the population. When unemployment rates are broken down by ethnic group, however, New York looks considerably worse for whites as well as for minorities. And when a calculation is made to test how New York's teenage unemployment rates would look if New York had the same percentage of minorities as the rest of the nation, the teenage unemployment rate for the city only drops from 33 to 29 percent.

It might be the case that New York's youth are more prone to joblessness because they are less employable. Schooling is closely related to employability, both because it provides necessary cognitive skills and because it signals, through possession of a di-

ploma, that graduates have discipline and motivation. The problem in New York may come about because youth are dropping out of school, and because both dropouts and high school graduates may be leaving school with lower cognitive skills. The cognitive issue is important but it is difficult to address, mainly because the consistent data needed to compare either present with past performance or New York with other cities do not exist. Nonetheless, the more fragmentary pieces of evidence show no deterioration in reading levels for New York teenagers over the past 15 years.

What we know about the dropout rate can be stated in less-tentative terms, and makes it clear that this is not the culprit. First, according to census data, when 1980 patterns for New York are compared with 1970 patterns, we find that school enrollment and com-

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pletion rates have improved, not deteriorated. Secondly, when New York City is compared to other central cities, we see that the enrollment rate in New York is actually higher than in the other central cities and that the proportion of dropouts is the same in New York as in all other central cities.

This is not to say that the dropout problem is not serious. All relevant data unambiguously show that dropouts fare much worse in the labor market than do high school graduates. There is also little question that raising retention rates and reading levels are among the most important teenage labor-market policy goals. Nonetheless, the comparisons just made suggest that neither the ethnic nor the educational characteristics of New York's youth can explain why job opportunities for New York's youth shrunk so far during the 1970s and are now so much more scarce than in other cities. If these sup-

ply-side factors do not offer an explanation, then perhaps the answer lies in changes in the market for youth.

THE SHRINKING PERIMETER

Why is the demand for youth labor so weak? And why hasn't it revived along with the upturn in the city's economy? The simplest hypothesis is based on the old adage that youth are the last to be hired and first to be fired. The reasoning is that because youth have few skills and a tenuous commitment to work, they fall at the end of the hiring queue. In tight labor markets, employers are forced to recruit from the end of the hiring queue; in other words, they make do with youth because they must. When the labor market softens, job opportunities for youth fall off faster than for adults.

That youth employment is highly sensitive to the overall level of economic activity is one of the few generally accepted findings in the massive corpus of research on youth: youth unemployment rates swing up and down far out of proportion to change in the adult unemployment rates. In New York, however, the story is somewhat different. The downturn of the early 1970s reduced total employment in New York by 8.8 percent and in the same period the number of jobs held by teenagers fell by 26 percent; an exaggerated but nonetheless plausible example of the last in, first out phenomenon. But in other respects, the predicted pattern fails to hold true. As we have already noted, the New York economy has generated new jobs ever since 1977, and yet the unemployment rates for youth have not decreased.

If it is not economic decline that accounts for shrinking opportunities for teenagers, the other possibility is that industries that were once highly youth intensive no longer require equally large numbers of youth. What this would mean is that employers have shifted to new, more sophisticated technologies that have either eliminated the need for low-skilled help or demand greater proficiencies and commitment than youth are likely to offer. Changes in youth intensity in industries from 1970 to 1980 led to a net loss of 24,955 teenage jobs—two-thirds of the entire loss registered by teenagers over

the course of the decade.

Thus, the heart of the matter is that New York's economy needs fewer youth today than was previously the case. But this is only part of the story; a look at industry-by-industry figures shows that youth are being pushed and pulled in opposite ways. The key problem for youth is that fewer are wanted in the city's most dynamic industries. The financial and related industries added a total of 36,000 jobs over the course of the 1970s, while teenage employment in those industries actually fell by 10,600. Similarly, business services and professional services grew substantially over the course of the decade, but in so doing they also reduced their demand for youth. In addition, communications, an industry that, in employment terms, virtually held its own over the course of the 1970s, sharply reduced its proportion of youth. There is, however, an upside to this: some industries, most importantly retail, have become more, not less dependent on youth. And in retail, the shift toward greater youth intensity, which has unquestionably accelerated since 1980, has almost offset the effect of the industry's overall decline.

THE FINANCE SECTOR

Why have New York's growth sectors evolved in such a way as to narrow the demand for teenagers seeking work? Take the case of the finance sector. This industry has been overhauled during the past ten years: financial markets have been transformed, offerings have been diversified, and competition reigns today as never before. To accommodate these changes the industry has invested heavily in new computerized technology.

All of these factors have worked to reduce job offerings for youth. The increasingly competitive environment in the industry has led to an emphasis on cutting costs, especially since the other costs of doing business have been rising. Internal changes have also made financial institutions more adverse to hiring teenagers. As banks have moved certain back-office operations to the suburbs or to out-of-state locations, they have displaced large numbers of relatively senior, but low-skilled employees. For the banks, displacement

has created a serious morale problem. Consequently, priority is given to repositioning these full-time, long-tenure workers in the dwindling number of openings for which their relatively low skills qualify them—not to hiring teenagers.

Teenagers are also a casualty of office automation, which has eliminated certain low-skill jobs and upgraded others. Key punch operating, for example, a traditional low-skill point of entry has been virtually replaced by CRT machines, which may require somewhat higher-level skills. Other low-level entry jobs such as general file clerk, mailroom clerk, or messenger still exist, but in considerably smaller numbers and with the prospect of automation in sight. In one bank that we visited, mail is delivered by robots, not by teenage messengers.

Further displacement of youth takes place when automation leads to job up-

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grading. In secretarial and typing functions, the computer has become a necessary adjunct to the job, apparently raising the level of skills required. Growing complexity has also diminished prospects for mobility up the clerical ladder. At the top of the clerical scale stand quasi-professional functions involving mainly bookkeeping and accounting work. Industry informants report that these functions have become more complicated, with the result that they are filled from the outside by workers with specialized training at either the junior or senior college levels.

To be sure, banks and insurance companies still have places for the teenaged employee, but these tend to fall into one of two categories: working as a teller—the classic revolving-door job—or else a part-time job in a back-office operation, in a central-records room or in the mailroom. But on the whole, these are low-level jobs, where

the turnover rates are high and for which automation appears imminent.

THE RETAIL SECTOR

If stiffer job requirements have squeezed teenagers out of the growth sectors, retail is one sector that has lowered job requirements and consequently has drawn more teenagers in. How this process works is best illustrated by the case of the fast-food restaurant chain. The success of the fast-food restaurant is built on three ingredients: fast service, advertising, and low prices. What makes the latter possible is a limited menu that allows almost complete standardization, high-volume purchasing, and the use of expensive and highly specialized machinery. The end result is a new, unskilled breed of restaurant worker. Neither waiter, cook, nor dishwasher, the fast-food worker is an assembler and packer, whose skills, if that remains an appropriate term, can be learned in a matter of hours. Thus comes about the marriage of the fast-food chain and the teenage worker.

But teenagers are also a particular brand of unskilled workers and those particularities count as virtues in the world of the fast-food chain. The first virtue is that most teenagers want part-time employment. Part-timers are important in providing flexibility, a crucial aspect for fast-food operations since the amount of business varies not only seasonally but with the hours of the day. Moreover, part-time help is low-cost help: wages for fast-food workers remain at or close to the minimum wage.

Teenagers are also a source of unstable labor and in many fast-food chains the workforce turns over at a rate of more than 100 percent a year. In other industries this would be a liability, but for fast-food restaurants teenagers' instability is the source of still another virtue. The reason is that the maintenance of an unstable and uncommitted workforce is the key to the industry's anti-union strategy, which has so far been a roaring success. Of course, there are disadvantages to unstable employment, but the production process minimizes their effects. Little matter that a worker doesn't show up; for a job so utterly bereft of skill, a fill-in can be

found on short notice among the other employees. And as long as instability is anticipated, hiring can be adjusted appropriately; some chains simply hire a given number of workers each week regardless of the actual number of openings.⁵

WHAT'S TO BE DONE?

What these thumbnail industry case studies suggest is that there is still another twist to the story of youth employment in the post-industrial city. In today's labor market youth are concentrated in just a few industries. Increasingly, these are low-wage industries that require a part-time, flexible labor force. Moreover, they have evolved in such a way as to live comfortably, and sometimes even happily, with a labor force that shows very little long-term commitment to the job. Of course, industries can only take advantage of short-term teenage workers if their production processes have large numbers of jobs that require few skills. But precisely because these jobs are unstable and temporary, they rarely offer workers a chance to acquire skills that would be useful later.

While teenagers have always worked in unskilled jobs, those jobs tended to place them alongside adults. Thus, youth worked as messengers in offices staffed by adult men and women; as dishwashers and busboys in restaurants that still had skilled, experienced cooks and waiters; as stock clerks in department stores that employed career salespeople who had started out in entry-level jobs; and as helpers alongside skilled craftspeople and well-paid, adult operatives in unionized factories. But in many ways, the youth-intensive employer now hires teenagers into a workplace that resembles a youth ghetto. Walk into a McDonald's, a supermarket on a Sunday afternoon, or a department store some weekday evening: what you will see is a workforce dominated by youth, with the exception of a handful of adult managerial personnel.

From this change flow two consequences for youth. First, teenagers' entry-level jobs are often detached from positions that offer stability and training. Second, while fast-food and supermarket jobs may at least provide

youth with some initial world-of-work experience, this benefit is minimized because employed teenagers find themselves isolated from adults. Thus, working youth lack those contacts with skilled and more mature workers who could provide a source of social control, as well as an example after which youth might model their behavior. In addition, when there are fewer youth, managers, too, have more of an opportunity to teach appropriate work habits and to promote a sense of commitment to the job. A firm with a more balanced ratio of youth and adults can also exercise greater control over recruitment. By contrast, among those firms like supermarkets or fast-food chains that regularly hire armies of youth, recruitment is more of a random matter, with predictably disastrous consequences for the stability and tenure of those teenagers who get hired.

Thus, the balance sheet of changes in the youth labor market shows that youth have been squeezed out of the growth sectors and increasingly are welcomed in those industries where there are few opportunities to acquire meaningful skills. In this light, any policy involves making the best of a bad situation, but there are certain features of the youth labor market around which an effective youth employment program might be built.

The starting point would be those youth-intensive industries where teenagers can obtain at least a job and some work experience—if not many skills and promotional opportunities. What are needed are linkages that would tie these employers both to the schools from which they obtain their workers and to those employers in the office sector to whom teenagers will later turn for permanent employment. Schools can work more closely with youth-intensive employers to screen applicants, to provide pre-work training, and to provide counseling and reinforcement—precisely those functions that a manager or an older worker might provide in a store with a small proportion of youth, but one that a McDonald's or an A&P is simply not equipped to perform. Similarly it might be possible to provide a bridge to the office sector for those teenagers who demonstrate stability and reliability. In this case, there

would be a role for labor market intermediation services that might direct and possibly train these young workers for lower-level jobs in the office sector that would still provide opportunities for upward mobility.

But whatever the precise mix of programs, our analysis points to two crucial developments: first, entry into the labor market is increasingly postponed; second, for those teenagers who obtain work, early labor market experience is of diminished importance for their subsequent work careers. Consequently, the burden of reversing the present trends among youth falls on the educational and public-sector employment-training systems. This is the challenge of youth employment in the post-industrial city. ■

NOTES

¹Charles Silberman, "What Hit the Teenagers," *Fortune* (April, 1965), cited in Paul Osterman, *The Youth Labor Market* (Cambridge: MIT Press, 1980).

²Bennett Harrison and Edward Hill, "The Changing Structure of Jobs in Older and Younger Cities," in Benjamin Chinitz (ed.), *Central City Economic Development* (Cambridge: Abt Books, 1979).

³Preliminary data indicate that the 1984 teenage unemployment rate for New York City dropped to 29 percent.

⁴This typology of cities draws on the model developed by Thierry Noyelle and Thomas Stanback. See, Thomas Stanback et al., *Services: The New Economy* (Totowa, N.J.: Rowman and Allenheld, 1981); Thierry Noyelle and Thomas Stanback, *Economic Transformation in American Cities*, (Totowa, N.J.: Rowman and Allenheld, 1983).

⁵With the exception of the fast-food chains, New York restaurants overwhelmingly recruit their unskilled help from among the foreign-born. As of 1980, immigrants accounted for 47 percent of the restaurant industry labor force, up from 40 percent a decade before. For a more detailed analysis of employment practices in this industry, see, Thomas Bailey, "Immigrants in the Restaurant Industry: Labor Market Competition and Industry Structure," *Industrial Relations*, forthcoming.

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