



Dropping Out and Clocking In A Portrait of Teens Who Leave School Early and Work

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Staying in school and graduating from high school is vital to young people's life chances. Research shows that completing high school not only increases lifetime earnings and the odds of successful experiences with college and career, but also decreases involvement with the criminal justice system (Bailey and Dynarski 2011; Carnevale, Rose, and Cheah 2013; Natsuaki, Ge, and Wenk 2008). In recent years, much of the policy conversation around mitigating the dropout crisis, particularly for low-income communities of color, has focused on disconnected youth, defined as young people who are not in school and not working (Shore and Shore 2009). However, another group of teens often falls under the radar: youth who are working and not in school.

During the needs assessment for Langley Park, a Latino Promise Neighborhood outside Washington, DC, the Urban Institute went into the community expecting to find a significant proportion of young people out of school and unemployed but instead found something else (Scott et al. 2014). The rates of disconnected youth were on par with national averages, but nearly 40 percent of young people between the ages of 16 and 19 were working and not in school. This raises several questions. Is this trend specific to this neighborhood, Latinos, or first- and second-generation immigrants? Or is it a clue to a larger trend?

We know little about our youngest workers and their early work experiences. Research focuses almost exclusively on education for high school-age students and reserves questions about employment for analysis of adulthood, defined as after high school graduation or age 18. This brief uses microdata from the 2008–12 American Community Survey five-year estimates, representing 563,000 16- to 18-year-olds without high school diplomas and not enrolled in school, to describe how young people who leave school to work differ from others who leave school early, what employment means for these youth, and how they contribute to their households.

Do Teens Who Work Differ from Other Teens Who Leave School Early?

The majority (54 percent) of young people who have left school without finishing 12th grade dropped out in 10th or 11th grade. Most are male, age 18, and native-born US citizens. Non-Hispanic whites (45 percent) are the largest ethnic group among early leavers, followed by Hispanics (32 percent) and African Americans (17 percent); roughly 40 percent come from single-parent homes. About 75 percent of dropouts have someone living with them who holds at least a high school diploma, but income for households without youth earnings varies widely: one-third of these households earn below 100 percent of the federal poverty level (FPL), but another third earn above 200 percent.

Working youth account for a modest share of early high-school leavers, about 30 percent overall. On the surface, these youth look very different from their peers (figure 1). They are disproportionately male, older, Hispanic, and not living with a parent. Further, they tend to discontinue their education either before starting high school (figure 1) or in 12th grade; in contrast, disconnected youth tend to leave high school within their first two years. And though working youth are more frequently firstgeneration immigrants than nonworking youth, the great majority of those who work (75 percent) are native-born Americans.

FIGURE 1

Characteristics of Youth Ages 16 to 18 without a High School Diploma and Not Enrolled in School, by Employment Status





Source: American Community Survey 2008-12, five-year estimates.

Working youth's households also differ significantly from those of other youth who have left school early. Working youth live in households with much lower rates of connection to federal safety net programs, including cash assistance programs such as Social Security (SS), Supplemental Security Income (SSI), and Temporary Assistance for Needy Families (TANF); the Supplemental Nutrition Assistance Program (SNAP); and Medicaid or other public health insurance programs. Working youth's households also have slightly greater income before adding youth earnings (figure 2). Households where youth are working and not in school also tend to be larger, include less-educated adults, and pay higher monthly housing costs than households with disconnected youth.

FIGURE 2

Characteristics of Households with Youth Ages 16 to 18 without a High School Diploma and Not Enrolled in School, by Employment Status



Source: American Community Survey 2008–12, five-year estimates.

Note: FPL = federal poverty level; SNAP = Supplemental Nutrition Assistance Program; SS = Social Security; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families.

Despite these differences, statistical analyses demonstrate that it is difficult to predict which early high-school leavers work. Logistic regression models explain the difference between workers and nonworkers only about 17 percent of the time. But some factors seem to matter more than others. Household educational attainment may play a big role. Youth in households where no one has more than an eighth-grade education are more than twice as likely to work as other youth. Being male and a first-generation immigrant, as well as living without a parent, are also associated with relatively greater odds of holding a job (48 to 67 percent). Other positively associated factors include the number of

dependents (children under 18 and seniors 65 and older) and adults. Each adult increases the odds of a youth working by 6 percent, each dependent by 4 percent.

On the other hand, some factors—notably household income below 100 percent of FPL and federal benefit receipt—are negatively associated with reported work among early high-school leavers. Taken together and holding all other factors constant, the odds that youth in poor households (those with income from 100 to 200 percent of FPL) receiving TANF, SSI, SNAP, and Medicaid are working are roughly 75 percent lower than for other youth. African Americans and youth living with single parents are also significantly less likely to be employed, as are 16-year-olds and youth who leave school in 9th or 10th grade.

What Does Employment Look Like for Youth Who Leave High School Early?

For out-of-school working youth, employment typically means more than a summer job (figure 3). A majority (51 percent) work 40 weeks of the year or more. Another quarter work between 14 and 39 weeks, and the remaining quarter work fewer than 14 weeks. During working weeks, these youth work an average of 31 hours.

FIGURE 3

Weeks Worked in Past 12 Months among Working Youth Ages 16 to 18 without a High School Diploma and Not Enrolled in School



Source: American Community Survey 2008-12, five-year estimates.

The vast majority of working youth (94 percent) earn income through wages and salary. Five percent are self-employed and 1 percent work as unpaid family workers. Youth work in a broad array of

occupations, but they predominantly cluster in low-skilled positions: 25 percent work in food preparation, 16 percent in sales, and 10 percent in construction and extraction. Other common occupations include transportation and material moving (9 percent); building and grounds cleaning and maintenance (8 percent); office and administrative support (7 percent); production (7 percent); and farming, fishing, and forestry (6 percent).

Working youth typically earn much more than pocket change but not enough to thrive on their own. The mean annual earnings of working youth total just under \$9,500, just below the 2015 FPL.¹ As figure 4 shows, around 6 in 10 working youth make less than \$10,000 a year; most of the remaining youth bring home more than the poverty wage in a given year.

FIGURE 4



Total Earnings in Past 12 Months among Working Youth Ages 16 to 18 without a High School Diploma and Not Enrolled in School

Source: American Community Survey 2008–12, five-year estimates.

Regression models account for only about 14 percent of the variation in youth earnings, but the models suggest that youth's characteristics may explain their earnings better than household characteristics. Youth who do not live with either parent earn 48 percent more than youth who live with both parents. Youth who are first- and second-generation immigrants also earn significantly more: 33 and 17 percent more than their native peers, respectively. Being older, male, and a teen parent are also significantly associated with greater youth earnings.

The household characteristic most important to earnings is the highest level of educational attainment among members. Working youth tend to earn significantly more in households whose members have lower overall levels of education. Compared with youth in households in which the

highest level of education is at least some college, youth in households with less than a ninth-grade education earn 65 percent more, youth in households with some high school education earn 34 percent more, and youth in households with a high school diploma or GED (general educational development) certificate earn 23 percent more. Youth in renter households with more members also tend to earn more.

In addition, youth earnings may take the place of public benefits for many families. Youth in households that receive SNAP and public health insurance earn 18 and 17 percent less, respectively.

What Do These Working Youth Contribute to Their Households?

Many out-of-school working youth contribute substantially to their households. As shown in figure 5, over one-third of youth contribute more than 20 percent of the total annual income of their households, and one-tenth contribute more than 50 percent. On average, working youth account for 22 percent of their households' annual income.

FIGURE 5

Youth Earnings as Share of Household Income in Households with Working Youth Ages 16 to 18 without a High School Diploma and Not Enrolled in School



Source: American Community Survey 2008-12, five-year estimates.

Contributions of this magnitude make a tremendous difference for many households. Youth earnings move 42 percent of households with income that would otherwise fall below 100 percent of FPL out of poverty. Among working poor households, one-third experience a move to more than 200 percent of FPL because of youth earnings.

Moreover, youth earnings help households reduce their housing cost burden (the percentage of household income put toward such housing costs as rent, mortgage, and utilities).² Youth earnings help 45 percent of cost-burdened households spend less than 30 percent of their income on housing. Among severely cost-burdened households, youth earnings move 30 percent of households to the lower tier of cost burden and 10 percent of households to a level at which their housing is affordable.

Regression analyses demonstrate that household characteristics are particularly important in explaining the share of household income youth contribute.³ Youth earnings account for a greater share in households with lower income, especially those that fall below 100 percent of FPL. The share of household income that youth contribute is 28 percentage points greater among youth in poor households than among youth in higher-income households (those with income above 400 percent of FPL). Other factors positively associated with higher relative earnings include renting rather than owning and low levels of education in the household.

Other household factors are negatively associated with the share of household income accounted for by youth earnings. Large household size translates to a lower relative youth contribution. In addition, the same kinds of potential substitution effects between youth earnings and public benefits that surfaced in the models for the probability of youth working and absolute youth earnings emerge. The share of youth contributions to household income are consistently 2 to 3 percentage points lower in households receiving public health insurance, SNAP, and TANF.

Youth characteristics alone explain only a small amount of variation in youth's contributions to households. Nonetheless, being a teen parent and not living with either parent increase youth's relative contribution by 7 percentage points. Interestingly, when it comes to relative earnings rather than absolute earnings, first- and second-generation immigrant youth do not contribute significantly more to their households than their native peers, despite immigrant youth's greater propensity to work and greater absolute earnings. Inversely, though they are less likely to work and generally earn less in absolute terms, African American youth earnings mean significantly more to their households.

What Questions Do These Findings Raise?

This analysis sheds light on an important group of youth who have typically been left out of discussions about disconnected youth: those who are working and not in school. They have characteristics different from disconnected youth, they make substantial contributions to their households, and they have work experiences that diverge from our traditional assumptions about youth employment. Nevertheless, this analysis raises many questions that cannot be easily answered in this brief.

First, this analysis opens up new questions about why some students might leave school. Most of the literature on dropouts in recent years focuses on academic performance, parental support, students' personal ambition or expectations, or conditions within schools (Becker and Luthar 2002; Neild 2009; Stewart 2008). These kinds of factors may explain very well why many young people drop out, but for some low-income students there may be a missing piece: their potential role in making ends meet for their families and themselves.

The data used in our analyses make it impossible to know whether working youth drop out first and then work or if work or economic necessity are core motivations for dropping out. There is some precedent, however, for thinking the latter may be the case for some young people. Early studies on dropping out highlight significant self-reporting of financial and employment-related motivations for leaving school, especially among young men (Rumberger 1987). In addition, a recent nationally representative survey of Latinos finds that nearly 70 percent have left school early, either before or after receiving their high school diploma, to work and support their families (Lopez 2009). With wages largely stagnant and many higher-paying blue-collar jobs disappearing, increasingly more low-income families may simply need more workers in their households to keep afloat. In this context, we need to better understand family dynamics and how much they affect decisions about youth employment and education.

Second, the limited literature on the effects of early employment in both the short and long term leaves policymakers and practitioners unsure of whether to incentivize or discourage early labormarket experiences. Studies using nationally representative samples usually associate employment of high school-age youth with negative outcomes, including increased risky behavior and low academic achievement. But studies focusing on low-income youth often suggest that working can help keep them on track in school (Kingston and Rose 2015). In addition to these mixed results, virtually no research examines how early work experiences affect long-term outcomes for young people who have dropped out of school. How likely are these youth to go back to complete their basic education? How does this affect their ability to earn a living wage? What kinds of early work experience are most conducive to building ladders of opportunity for young people?

Moreover, the difficulty predicting work among early high-school leavers suggests a blurred line between disconnected and working youth that may be affected by differences in the definition and reporting of "work." Many of the factors most strongly associated with reported youth work—firstgeneration immigrant status, households with very low education levels, not living with parents, and large households with multiple adults—are disproportionately characteristic of young economic immigrants and their families (Passel 2011). Culturally, there is often little or no distinction between formal and informal work for many immigrants and their children. For example, in Latin America and the Caribbean, informal work accounts for a significant share of the economy, normalizing the status of these kinds of jobs (Vuletin 2008). Consequently, many immigrants from this region do not hesitate to report informal work such as babysitting, under-the-table work at a construction site, errands, or tutoring. In contrast, most native-born Americans would not report these jobs as employment. Finally, federal benefit receipt may affect youth employment in several ways. Youth in low-income households that receive federal subsidies such as TANF, SSI, SS, SNAP, or Medicaid may have strong disincentives to declare informal employment or obtain formal employment because doing so could reduce the household's total subsidy. Rules on whether to exempt youth wages vary substantially across federal programs and states (Kassabian, Whitesell, and Huber 2012). Beyond these disincentives, poor youth in subsidized families may also face more barriers; live more frequently in segregated, low-opportunity neighborhoods; and experience more discrimination during job searches than other youth (Holzer 2009). Subsidized youth may also disproportionately find themselves in depressed labor markets where there are not enough jobs.

Not finding or engaging in conventional work, however, does not necessarily mean that youth who live in subsidized families do not play a key role in their families' economic well-being. Anecdotally, Urban Institute fieldwork in diverse low-income communities often yields young people's frank testimonies about their role in making ends meet.⁴ Sometimes that means formal employment or odd jobs, but other times it means engaging in risky or criminal behavior.

What Policy Implications Might This Work Have?

Understanding young people's role in their families' economic support system is important to designing effective programs and policies. Current cutting-edge dropout prevention strategies employ early-warning systems to target students who are behind academically and chronically absent from school and apply intensive school-based academic and behavioral interventions to keep these students on track (Mac Iver and Mac Iver 2010; Neild 2009). Many of the youth identified through these systems may be at risk of trading off their high school education to help meet their families' short-term economic needs. Moreover, there may be other youth who face these kinds of trade-offs but fall under the radar of early intervention systems entirely because questions about these issues are not asked. Without addressing this core issue, existing interventions are less likely to be effective, and many youth who need support have little chance of receiving it.

Interventions for youth who are playing an economic role in their household may need to be twogenerational (i.e., providing the kind of education, training, job placement, and access to resources to parents that could alleviate material hardship while supporting youth academically). If parents can provide financial security for youth, youth may be more likely to complete their education (Faas, Benson, and Kaestle 2013). The low level of safety net use among families of employed high school dropout youth also points to an opportunity to connect families with safety net programs to provide financial support as youth focus on furthering their education and training. In this way, receipt of public benefits could act as a protective factor for low-income youth.

In the developing world, the economic trade-offs inherent in families' decisions to send their children to school or to work are widely recognized. Consequently, many countries have designed and tested financial incentives to boost school enrollment, increase school attendance, and decrease school dropout rates. These programs vary considerably in their design and effect sizes, but they consistently

post statistically significant improvements in outcomes, particularly for students at the secondary level where youth have greater labor market potential (Fiszbein et al. 2009). Domestically, there has been some limited experimentation with financial incentives, but these have usually been a carrot to improve academic performance rather than a way to offset the perceived family costs of delaying youth's labor market entry (Allan and Fryer 2011; What Works Clearinghouse 2006). Properly targeting financial incentives to youth with strong economic motivations for leaving school and other early-warning signs of school dropout may be the key to using incentives effectively.

Recognizing youth's role in helping their families make ends meet may also require policymakers to think differently about workforce development and support ways for youth to simultaneously stay in school and meet family obligations. The new Workforce Innovation and Opportunity Act takes some important steps in that direction by designating at least 20 percent of local formula funding for educationally oriented youth-employment programs (e.g., summer jobs, on-the-job training, internships, and preapprenticeships).⁵ However, the 20 percent requirement is fairly modest, and the law does not set universal guidelines for paying youth who participate in this category of programs. Ensuring that youth have a chance to earn market wages could alleviate short-term hardship and improve retention and success rates for youth workforce development programs, which often show few long-term improvements.⁶ To address these challenges, governors might consider using up to 15 percent of the state's discretionary allotment to designate more dollars for meaningful youth employment programs, specifically youth wage supports.

Lastly, if early employment experiences do lead to better outcomes for low-income youth, the consistently negative relationship between public benefits and youth employment, earnings, and share of household income could signal the need to reexamine federal safety net policies that may actively discourage formal work experiences. For example, exempting youth-earned income from household income calculations while young people remain in school may help families avoid hardship in the short term, help youth gaining the kind of education and early work experiences that will yield livable wages, and ultimately help the entire family transition off assistance.

Notes

- For more information, see "2012 HHS Poverty Guidelines: One Version of the [U.S.] Federal Poverty Measure," US Department of Health and Human Services, last modified February 9, 2012, http://aspe.hhs.gov/poverty/12poverty.shtml. It is not possible to compute the wages youth earn using the Integrated Public Use Microdata Series data, which include only total annual earnings and a categorical variable for the typical number of hours worked. There is no variable for hourly wage.
- 2. Households that spend more than 30 percent of their household income on housing costs are cost burdened; those that spend more than 50 percent are severely cost burdened.
- **3.** A combination of household and youth characteristics account for around half (46 percent) of the variation in the youth share of household income.
- 4. For more detail, see Susan J. Popkin, "Desperate and Hungry in the Nation's Capital," *MetroTrends* blog, September 4, 2013, http://blog.metrotrends.org/2013/09/desperate-hungry-nations-capital/.

- 5. For more detail on the Workforce Innovation and Opportunity Act, see "Workforce Innovation and Opportunity Act Frequently Asked Questions," US Department of Labor, Employment and Training Administration, accessed March 30, 2015, http://www.doleta.gov/wioa/pdf/WIOA_FAQs_Acc.pdf.
- 6. For more on challenges of implementing effective workforce development programs for youth, see MDRC (2013).

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