THE HILL

Minimum wage myths that keep our teens out of work

By: Pam Villarreal **July 20, 2012**

Here we go again. In a sure sign that it's an election year, advocates for a higher minimum wage have renewed their efforts to make President Obama's promise of a $9.50 federal minimum wage come true. In a recent **op-ed**, the union-backed Economic Policy Institute (EPI) chimed in, re-hashing the familiar progressive case that labor costs don't factor in to hiring decisions.

Ironically, both EPI and President Obama have supported a higher minimum wage while simultaneously lamenting the current lack of employment opportunities for young adults. The evidence suggests that accomplishing that second goal means giving up on the first.

According to the Bureau of Labor Statistics, minimum wage workers are more likely to be teenagers, college students or secondary earners, rather than heads-of-households supporting families. About half are younger than age 25. It's this inexperienced group most affected by changes in the minimum wage whose employment has declined in recent years.

In July 2007, the unemployment rate for 16- to 19-year-old workers was 15.3 percent; three years later, following a 41 percent increase in the federal minimum wage, the rate was 25.9 percent. In some urban areas, the unemployment rate for teenagers is exceptionally high. For instance, the teenage unemployment rate in Washington, D.C., last summer was 50 percent, the highest in the nation.

The recession has played a role in this teen employment crisis, but a wide body of economic research suggests minimum wages are also to blame. In their 2008 book *Minimum Wages*, economists David Neumark and William Wascher reviewed evidence on both sides of the minimum wage debate, and concluded that the "preponderance of evidence" pointed to job losses for young employees following a minimum wage increase.

Of course, wage hike proponents like EPI don't accept the weight of the evidence, instead picking and choosing a few outlying studies to make their case. That case goes something like this: Paying low-wage workers more means they will have more money to spend on goods and services, thus boosting the economy. This sounds good in theory, but my economic conscience reminds me (to use a cliché) that there's no such thing as a free lunch. If employers cannot absorb an increase in the cost of labor, they will either hire fewer workers, hire more productive or educated workers, lay off workers, or pass the costs on to consumers.

This last consequence was humorously demonstrated earlier this year in San Francisco, home of a $10.24 minimum wage. The popular $5 foot long sandwich from Subway no longer exists in the city limits, because their highest-in-the-nation minimum wage makes it impossible to make money off the deal. Though this isn't an employment consequence per se, exactly what is the point of the higher wages if workers find themselves facing price increases for basic goods? Minimum wages are politically popular, which is why the subject tends to come up during election years. But the evidence is overwhelming that they distort the labor market and hurt the people they intend to help. Why not allow employers to provide a minimum wage exemption for teenage workers and let the private sector do its thing? After all, if a parent wanted their young adult to get a raise, they wouldn't ask the government to force the issue—they'd encourage their teen to work hard, impress their boss and earn it on their own.

Summer jobs are crucial for providing youth some real-world work experience, and minimum wage increases put them further out of reach. Reforming the education system and promoting characteristics that increase individual wages — such as finishing high school and improving skills through college or trade/vocational schools — would also do more to lift wages and the economy than an additional government wage mandate.

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