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THE WALL STREET JOURNAL

WSJ.com

REVIEW & OUTLOOK | October 3, 2009

The Young and the Jobless

The minimum wage hike has driven the wages of teen employees down to \$0.00.

Yesterday's September labor market report was lousy by any measure, with 263,000 lost jobs and the jobless rate climbing to 9.8%. But for one group of Americans it was especially awful: the least skilled, especially young workers. Washington will deny the reality, and the media won't make the connection, but one reason for these job losses is the rising minimum wage.

Earlier this year, economist David Neumark of the University of California, Irvine, wrote on these pages that the 70-cent-an-hour increase in the minimum wage would cost some 300,000 jobs. Sure enough, the mandated increase to \$7.25 took effect in July, and right on cue the August and September jobless numbers confirm the rapid disappearance of jobs for teenagers.

Teenage Angst

The gap, in percentage points, between the U.S. jobless rate for teens and for the population as a whole



The September teen unemployment rate hit 25.9%, the highest rate since World War II and up from 23.8% in July. Some 330,000 teen jobs have vanished in two months. Hardest hit of all: black male teens, whose unemployment rate shot up to a catastrophic 50.4%. It was merely a terrible 39.2% in July.

The biggest explanation is of course the bad economy. But it's precisely when the economy is down and businesses are slashing costs that raising the minimum wage is so destructive to job creation. Congress began raising the minimum wage from \$5.15 an hour in July 2007, and there are now 691,000 fewer teens working.

As the minimum wage has risen, the gap between the overall unemployment rate and the teen rate has widened, as it did again last month. (See nearby chart.) The current Congress has spent billions of dollars—including \$1.5 billion in the stimulus bill—on summer youth employment programs and job training. Yet the jobless numbers suggest that the minimum wage destroyed far more jobs than the government programs helped to create.

Congress and the Obama Administration simply ignore the economic consensus that has long linked higher minimum wages with higher unemployment. Two years ago Mr. Neumark and William Wascher, a Federal Reserve economist, reviewed more than 100 academic studies on the impact of the minimum wage. They found "overwhelming" evidence that the least skilled and the young suffer a loss of employment when the minimum wage is increased. Whatever happened to President Obama's pledge to follow the science? Democrats prefer to cite a few outlier studies

known to be methodologically flawed.

State lawmakers are also at fault. At least 10 states have raised their minimum wages above the federal level in the last decade, largely in response to union lobbying and in the name of helping the working poor. Four states with among the highest wage rates are California, Massachusetts, Michigan and New York. Studies have shown in each case that their wage policies killed jobs for teens. The Massachusetts teen employment rate sank by one-third when the minimum wage rose by 88% between 1995 and 2008.

According to new numbers from the Labor Department, in 2008 only 1.1% of Americans who work 40 hours a week or more even earned the minimum wage. In other words, 98.9% of 40-hour-a-week workers earn more than the minimum. The data also show that teenagers are five times more likely to earn the minimum wage than adults. Minimum wage jobs are nearly all first-time or part-time jobs, and an estimated two of every three minimum wage workers get a pay raise within a year on the job.



Associated Press

Study after study reveals that there are long-term career benefits to working as a teenager and that these benefits go well beyond the pay that these youths receive. A study by researchers at Stanford found that those who do not work as teenagers have lower long-term wages and employability even after 10 years. A high-wage society can only come by making workers more productive, and by destroying starter jobs the minimum wage may reduce long-term earnings.

Another recent study across 17 OECD nations, also by Messrs. Neumark and Wascher, found a highly negative association between higher minimum wages and youth employment rates. But it also concluded that having a starter wage, well below the minimum, counteracts much of this negative jobs impact. If Congress won't suspend its recent minimum wage hike, it should at least create a teenage wage of \$4 or \$5 an hour to help put hundreds of thousands of teens back to work. White House chief economic adviser Larry Summers has endorsed this in the past. Without this change, expect the teen unemployment to remain very high for a long time.

The wonder of it all is that liberals still call "progressive" a policy that has driven the wages of hundreds of thousands of the lowest skilled workers down to \$0.00.

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