Minimum Intelligence: Recent History of the Minimum Wage and Teenage Employment

Between 1955 and July 2013, the employment rate of teenagers aged 16-19 fell from 43.4% to 26.6%. Rising family incomes surely allowed some youngsters to avoid the workforce altogether and rely on their parents for their material neeeds and wants. However, rising incomes is only a small part of the story.

The teenage unemployment rate in 1955 was 11.1%. Adding together those teenagers with a job to those who wanted a job but could not find one, brought the teenage labor force particiaption rate to 54.5%. Last month the teeneage unemployment rate stood at 23.7%. This brings the current teenage labor force participation rate to 50.3%. While the employment rate among teenagers fell 16.8 percentage points, only 4.3 percentage points (or less than ¼ of the change) was due to fewer teenagers looking for work.

While there may be many causes that have consipred to increase the teenage unemployment rate in the US, one direct source cannot be denied: the increase in the federal minimum wage. The chart below illustrates the change in the minimum wage since 2002 (in constant 19996 $) along with the change in the youth employment rate. (I note the employment rate because the proponents of increaseing the minimum wage argue that more teenagers will seek work if work becomes more rewarding).

The 2007 increase in the minimum wage took a stagnant youth employment rate and placed in on a downward trend. Only two years after the final round of increases came in 2009 did the emplyment rate stabilize. In July 2007 (which predates the recesssion which officially began in December of 2007) the minimum wage was increased from $5.15 an hour to $5.85 an hour. Teen employment fell the first month of implementation and continued to fall. In July 2008, it was raised to $6.55 an hour; teenage employment fell by a larger amount than the year before and continued to fall. In July 2009, the minimum wage hit $7.25 an hour and there was an even larger percentage drop in teen employment even though the recession had officially ended in June 2009. What was a recovery for the nation was not one for teenagers as their employment rates did not start increasing until 2011 and still remain lower than where they were at the end of the recession.

Date Teenega Employment Rate

June 2007 35.0 June 2010 25.1

July 2007 34.7 July 2010 25.5

June 2008 32.8 July 2011 25.2

July 2008 32.1 July 2012 26.7

June 2009 29.0 July 2013 26.6

July 2009 28.6

Slight job gains for teenagers have only materialized because the minimum wage has stopped increasing. [Those who are now pushing for a $10.10 federal minimum wage](http://www.usatoday.com/story/news/politics/2013/03/04/harkin-miller-minimum-wage-increase/1962725/) would drive teenagers out of employment even faster than was done with the last minimum wage increase. As noted above, the higher the minimum wage goes relative to the teenager skill set, the greater the loss of employment for teenagers.

Annectdotally, I was working a minimum wage job at a small movie theater when the minimum wage went from $3.80 to $4.25 in 1991. The immediate impact of the increase was felt by the employees of our theater. Management fired some of my fellow teens. Those that remained had to work harder. In addition to starting the movies in the projection booth, I now had to work the conession stand before and between movies. My hourly wage increased, but so did the amount of work that was expected of me. The other thing that happened is that we immediately increased the price of concession items to pass the labor cost onto movie watchers. Higher unemployment, harder work, and increased inflation are my first hand memories of that joyous day when the government intervened in the life of this teenager to make it better. Too bad for the teens who lost their job or who now had to pay more to see a movie. Some say that was a small price to pay for “progress”. I am not among them.