

# Excluding Workers Under Age 21 Baltimore's Minimum Wage Law is Harmful & Unprecedented Policy

*Baltimore should enact a strong \$15 minimum wage bill that does not discriminate against younger workers. Legislators in the City face pressure to include an exemption of all workers under age 21 in the City's local minimum wage law. No other jurisdiction has adopted such a broad exemption for youth and young adult workers. Adopting such an exemption would be harmful and unprecedented, and it would set Baltimore apart for the wrong reasons.*

*Adopting an arbitrary threshold of 21 years old treats younger workers differently from the rest of the workforce; mainly benefits big businesses with high turn-over staffing models, often at the expense of mom and pop shops and more conscientious employers; provides incentives for other businesses to adopt high-turnover business models; and hurts low-wage adult workers who may be replaced with a cheaper and younger workforce. It also ignores the real economic needs and contributions of those workers. Low-wage young adult workers are likely to be from struggling households who depend on these workers' additional incomes to make ends meet; or to be students working their way through college with limited family support. These workers, and all others regardless of family income, deserve a higher minimum wage, too.*

*Lobbyists for low-wage industries sometimes argue that a lower minimum wage for young workers is needed to avoid putting younger workers out of work, and in the case of teenagers, encourage employers to hire teens despite many teens' limited work experience and skill sets and cushion the impact on employers of a higher minimum wage. However, a review of the economic evidence shows that none of these rationales holds up under closer scrutiny:*

- *Rigorous research on the impact of the minimum wage on teens – which compares teen employment levels across regions and states with differing minimum wage rates – shows that higher minimum wage rates do not cause employers to hire fewer teens.*
- *Teen employment levels have been declining for decades with little correlation to the state of the minimum wage. This trend is driven by many factors – including increased labor market competition from older workers in their 50's and beyond, more of whom work in low-wage jobs today because they cannot afford to retire.*
- *A lower minimum wage for younger workers creates a loophole that mainly benefits fast food and retail chains with high-turnover staffing models, and incentivizes more employers to shift to this model and to favor hiring young adult workers over older adults.*

## **Low-Wage Young Workers are Likely to Be From Struggling Households or Employed College Students – They Deserve a Higher Minimum Wage Too**

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- Youth and young adult workers work side by side with their adult counterparts, performing the same work. There is no simple justification for excluding them from a Baltimore minimum wage.
- A substantial portion of youth and young adult workers are from struggling low- and middle-income households and their earnings provide essential income. Census data shows that the average low-wage worker in Baltimore who would benefit from a \$15 minimum wage contributes over half (54.6%) of her or his entire family's income.<sup>1</sup>
- Additionally, in the U.S., nearly 50 percent of students pursuing a 2-year degree, and over 40 percent of students pursuing a 4-year degree work more than 35 hours per week,<sup>2</sup> as they struggle with high tuition and debt (both of which influence their ability to start a family and to buy a home). These young workers and college students deserve a higher minimum wage, which will allow them to cover more of tuition costs, finish school more quickly, and take out fewer loans.

## **An Exemption for Workers Under 21 Would Be Unprecedented, and Would Incentivize Employers to Shift to a High-Turnover Model & Hire Younger Workers Over Older Workers**

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- Exempting all workers under age 21 from a minimum wage law would be unprecedented. No other jurisdiction in the country has denied a minimum wage increase to such a broad group of young people, and Baltimore should not be the first.
- A youth exemption would incentivize employers to hire young workers in the place of adults and adopt a high-turnover staffing model to maintain a young workforce.
- A broad youth exemption would therefore harm workers under the age of 21 as well as older workers who would face discrimination by employers in favor of younger workers.

## **State-of-the-Art Research Shows that Raising the Minimum Wage Does Not Cost Young Workers their Jobs**

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- Economists from the University of California reviewed the impact of the minimum wage on teen employment in a state-of-the-art, peer reviewed study, "Do Minimum Wages Really Reduce Teen Employment?"<sup>3</sup> The study carefully examined the impact of all U.S. minimum wage increases between 1990 and 2009 on teen workers – including minimum

wage increases implemented during times of high unemployment, such as the national recessions of 1990-1991, 2001 and 2007-2009.

- The study found that the even during downturns in the business cycle and in regions with high unemployment, the impact of minimum wage increases on teen employment is the same: negligible.<sup>4</sup>
- As Bloomberg News wrote in summarizing the study, “[This study is part of] a wave of new economic research [that] is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.”<sup>5</sup>

### **Declines in Youth Employment is Unrelated to Minimum Wage Levels**

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- Opponents of a strong minimum wage for young workers sometimes argue that a higher minimum wage causes higher rates of youth unemployment. This is simply not the case.
- A review of the data shows that youth employment levels have been falling for decades, including a dramatic decline since 2000.<sup>6</sup> This trend is unrelated to the minimum wage and has continued regardless of whether the minimum wage has been flat or increasing – making it clear that this decline has nothing to do with the minimum wage.<sup>7</sup>
- There are multiple reasons for this decline, including the fact that today more teens and other young workers are full-time students than in the past, and those seeking work face increasing competition from adult workers over 55, many of whom cannot afford to retire and are turning to low-wage jobs.<sup>8</sup>

### **Fast Food and Retail Chains with High-Turnover Staffing Models Would Be the Main Beneficiaries If Baltimore Adopts a Youth Exemption**

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- The main beneficiaries of a \$15 minimum wage exemption for young workers are low-wage employers who have chosen a high-turnover staffing model. These are chiefly fast-food and chain retail employers who have disproportionately high rates of employee turnover – as high as 200 percent on an annual basis, according to some measures.<sup>9</sup> This means that fast-food and chain retail employers often replace their entire staff once every six months, on average.
- A \$15 minimum wage exemption for young workers under age 21 essentially creates a loophole that would allow fast food and chain retailers to pay those younger workers less than the city’s minimum wage – a very substantial savings for these low-wage employers, but also an ethically questionable practice and a significant loss to low-wage workers.

- This proposed exemption would also be unfair to small businesses and to conscientious employers, who already struggle to compete with big businesses while treating their employees (of any age) well.

## Endnotes

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1. Will Kimball, Economic Policy Institute, <http://www.epi.org/publication/raising-baltimores-minimum-wage-to-15/>. Accessed February 5, 2017.
2. U.S. Department of Education, *Profile of Undergraduate Students, 2011-2012*, October 2014. Accessed January 22, 2016. <http://nces.ed.gov/pubs2015/2015167.pdf>.
3. Sylvia Allegretto, Arindrajit Dube and Michael Reich, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data," *Industrial Relations* 50: 205-240, 2011, <http://www.irle.berkeley.edu/workingpapers/166-08.pdf>. Accessed February 3, 2017.
4. Ibid.
5. Bloomberg View Editorial Board, "Raise the Minimum Wage," *Bloomberg*, April 16, 2012, <http://www.bloombergview.com/articles/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise>. Accessed February 3, 2017.
6. Teresa Morisi, "The Early 2000s: A Period of Declining Teen Summer Employment Rates," *Monthly Labor Review*, Bureau of Labor Statistics, May 2010, <http://www.bls.gov/opub/mlr/2010/05/art2full.pdf>. See also Julia Dennett and Alicia Sasser Modestino, *Uncertain Futures? Youth Attachment to the Labor Market in the United States and New England*, Federal Reserve Bank of Boston, December 2013, <http://www.bostonfed.org/economic/neppc/presentations/2013/sassermodestino120413.pdf>. Both accessed February 3, 2017.
7. Sylvia Allegretto, Arindrajit Dube and Michael Reich, op. cit.
8. Anne Thompson, *What is Causing Record-High Teen Unemployment?*, National Employment Law Project, October 2011, [http://nelp.3cdn.net/5f5063b72229a9081a\\_lym6bkbrw.pdf](http://nelp.3cdn.net/5f5063b72229a9081a_lym6bkbrw.pdf). Accessed February 3, 2017
9. Wayne F. Cascio, "The High Cost of Low Wage," *Harvard Business Review*, December 2006, <https://hbr.org/2006/12/the-high-cost-of-low-wages>. See also Erin White, "To Keep Employees, Dominos Decides It's Not All About Pay," *Wall Street Journal*, February 2005, <http://www.post-gazette.com/business/businessnews/2005/02/18/To-keep-employees-Domino-s-decides-it-s-not-all-about-pay/stories/200502180276>. Both accessed February 3, 2017.