

A Teen Subminimum Wage: A Bad Policy that New Jersey Should Reject

Exempting teen workers from the \$15 minimum wage would hurt teen workers and their families, and would not address the decline in teen workforce participation – which has nothing to do with the minimum wage. Moreover, such an exemptions would offer few benefits for employers, since teens make up a very small share of New Jersey’s workforce and of the workers who would benefit from a \$15 minimum wage. The legislature should reject any proposed subminimum wages or exemptions for teen workers.

A Subminimum Wage for Teenagers Would Be Harmful and Is Unnecessary

- Exempting teens from the minimum wage **would offer little benefit for employers, since 91 percent of low-wage workers in New Jersey are adults 20 or older,¹** and teens are just 2 percent of the state’s workforce.²
- **Many teen workers provide essential income** to struggling low- and middle-income households. Cutting them out of a \$15 minimum wage would hurt their households more.
- Today **more than 70 percent of college students work** as they struggle with high tuition and debt – **an average of 30 hours per week.³** Exempting them from the \$15 minimum wage will **force them to work more hours, take longer to graduate, and take on more debt** – hurting their economic futures.
- New Jersey law already allows colleges and universities to pay **work-study students 85% of the minimum wage,⁴** so there is no need for additional exemptions.
- A teen subminimum wage will **hurt adult workers – especially in high unemployment areas – who are struggling to find jobs.**
- **That’s why no other state or city with a \$15 minimum wage has exempted teen workers.**

Low Teen Employment Levels Have Nothing to Do With the Minimum Wage

- Industry opponents argue that teens will lose job opportunities if their minimum wage is increased.
- But as Bloomberg News reports, **“a wave of new economic research is disproving those arguments about job losses and youth employment.”**⁵ The state-of-the art research on teens and the minimum wage by economists at the University of California (“Do Minimum Wages Really Reduce Teen Employment?”)⁶ found **that higher minimum wages have no effect on teen employment**, including for African-American teens.
- While African American teens face much higher unemployment than their white peers, this **trend has nothing to do with the minimum wage**, and has persisted whether the minimum wage has gone up or stayed flat.⁷
- Overall **teen employment has been falling for decades**,⁸ **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.
- **There are multiple reasons for this trend**, including the fact that today more teens are full-time students today, that fewer upper income teens work, and that working class teens face increasing job competition from adult workers, many of whom cannot afford to retire.⁹
- **The solution for low teen employment levels is** not to exempt teens from the minimum wage, which will hurt working teens, but instead **to expand support for targeted and subsidized hiring programs**, such as publicly supported summer jobs programs. Such programs are among the most effective for boosting teen employment but funding for them has eroded significantly and is far below the level needed.

Endnotes

1. Jon Whiten, *Raising New Jersey’s Minimum Wage to \$15 an Hour Would Boost a Large and Diverse Group of Working Men and Women*, New Jersey Policy Perspective, March 23, 2016, <http://www.njpp.org/reports/raising-new-jerseys-minimum-wage-to-15-an-hour-would-boost-a-large-and-diverse-group-of-working-men-and-women>.
2. NELP calculations based on U.S. Census, *2014 American Community Survey 1-Year Estimates, Sex by Age by Employment Status for the Population 16 Years and Over*.
3. Anthony P. Carnevale, Nicole Smith, Michelle Melton, and Eric W. Price, *Learning While Earning: The New Normal*, Georgetown University, Center on Education and the Workforce, 2015, <https://cew.georgetown.edu/wp-content/uploads/Working-Learners-Report.pdf>.
4. N.J. Stat. Ann. § 34:11-56a4 (West 2016).
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-eraneeds-a-raise>.
6. 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.irl.berkeley.edu/workingpapers/166-08.pdf>.
7. Ann Thompson, *What Is Causing Record-High Teen Unemployment? Range of Economic Factors Drives High Teen Unemployment, But Minimum Wage Not One of Them*, National Employment Law Project, October 2011, http://nelp.3cdn.net/5f5063b72229a9081a_lym6bkbrw.pdf. See also Allegretto et al., *ibid*.
8. 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>.
9. Anne Thompson, Op.Cit.

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