Should the Minimum Wage Be Raised to a "Living Wage?" Despite Potential Increases in Teenage and Low-Skilled Unemployment

Raising the minimum wage to a level considered a living wage has sparked considerable debate, especially regarding its impact on teenage and low-skilled employment. The core question is whether the benefits of higher wages outweigh the adverse effects, particularly unemployment among vulnerable groups. This essay synthesizes research from four authoritative sources to assess the trade-offs involved in raising the minimum wage to a living wage, examining economic theories, empirical evidence, and policy implications.

Source 1: The Effects of Minimum Wages on Youth Employment, Unemployment, and Income (IZA World of Labor)

This source provides a comprehensive review of the economic effects of minimum wages on youth employment, highlighting that while higher minimum wages raise incomes for those employed, they reduce job opportunities and create unemployment among young and low-skilled workers (2024). The author, Charlene Marie Kalenkoski, is an established labor economist affiliated with reputable institutions, lending substantial credibility to the analysis. Prior to reading the source, it might be expected that the author, adhering to mainstream economic theories, would hold a balanced but cautious perspective regarding minimum wage increases. The source offers specific data points: a 10% increase in minimum wage leads to an average 7.4–10.5% decrease in teenage employment in the EU and a 2.9–3.8% decrease for young adults, with similar but smaller effects in the US (2024). Importantly, it also notes delayed labor market entry reduces youths’ lifetime incomes and that minimum wages may reduce on-the-job training opportunities, compounding negative long-term outcomes (2024). The source suggests that policies like sub-minimum training wages may mitigate these effects while recommending alternative support measures such as cash or in-kind assistance (2024).

Source 2: Teen Unemployment - Minimum Wage (Employment Policies Institute)

This source argues that higher minimum wages price teens out of jobs and contribute to their disproportionately high unemployment (Teen Unemployment - Minimum Wage - Employment Policies Institute, 2013). The Employment Policies Institute (EPI), known for its pro-business stance, is expected to exhibit a viewpoint skeptical of minimum wage increases, particularly concerning their effect on low-skilled employment (Teen Unemployment - Minimum Wage - Employment Policies Institute, 2013). Their research indicates that a 10% increase in the effective minimum wage corresponds to a 3.2% decrease in youth employment (Teen Unemployment - Minimum Wage - Employment Policies Institute, 2013)and that teenage unemployment can be triple the national average, emphasizing the severity of teen joblessness (Teen Unemployment - Minimum Wage - Employment Policies Institute, 2013). Another significant data point from this source is that minority teens, especially young black males, experience greater negative employment effects from minimum wage hikes, with employment dropping as much as 6.6% per 10% increase in the minimum wage (Teen Unemployment - Minimum Wage - Employment Policies Institute, 2013). This source stresses the importance of teen employment for acquiring life skills and suggests training wages as a potential remedy (Teen Unemployment - Minimum Wage - Employment Policies Institute, 2013).

Source 3: How Increasing the Federal Minimum Wage Could Affect Employment, Income, and Poverty (Congressional Budget Office)

The Congressional Budget Office (CBO) offers an objective and methodical approach to estimating the effects of raising the federal minimum wage to a living wage through an interactive tool and detailed analysis (How Increasing the Federal Minimum Wage Could Affect ..., 2024). As a nonpartisan government agency, CBO is highly credible and generally unbiased, aiming to provide balanced projections rather than advocacy (How Increasing the Federal Minimum Wage Could Affect ..., 2024). The CBO estimates that raising the minimum wage to $17 by 2029 would increase earnings and reduce poverty for some low-wage workers but could also cause job losses among others, making the net employment impact uncertain and dependent on elasticities (How Increasing the Federal Minimum Wage Could Affect ..., 2024). Specifically, studies show employment for directly affected workers might decline, with estimates ranging from small to moderate reductions in employment (How Increasing the Federal Minimum Wage Could Affect ..., 2024). This nuance illustrates the complexity of employment effects, acknowledging that some workers lose jobs while others gain higher wages (How Increasing the Federal Minimum Wage Could Affect ..., 2024). Importantly, the CBO emphasizes that the long-term effects depend on the pace of wage increases, indexing policy, and local labor market conditions (How Increasing the Federal Minimum Wage Could Affect ..., 2024).

Source 4: New Study Explores the Positives of Raising the Minimum Wage (Michigan Ross)

This university-led research challenges traditional concerns by showing that most independent businesses can absorb higher minimum wages with only minor employment adjustments (Jeff Karoub, Michigan News, 2024). Nirupama Rao, an assistant professor of business administration, and her co-author use robust panel data drawn from U.S. tax returns, adding to their credibility as academics grounded in rigorous empirical analysis (Jeff Karoub, Michigan News, 2024). Prior bias might lean towards a cautiously optimistic outlook on minimum wage increases given their academic background and data-driven approach. Key data from their findings include the observation that higher minimum wages significantly increase earnings for low-income and young workers by thousands of dollars annually (Jeff Karoub, Michigan News, 2024), while leading to only a modest net job loss, concentrated among part-time teenage workers, with some firms even experiencing increased profits due to higher retention rates (Jeff Karoub, Michigan News, 2024). These findings indicate that minimum wage hikes may not universally harm employment and can have nuanced effects on firm dynamics.

Conclusion

The debate over raising the minimum wage to a living wage revolves around a delicate balance between increasing current incomes and preserving employment opportunities for youth and low-skilled workers. Authoritative studies, including those by Kalenkoski [1] and the EPI [2], reveal substantial employment reductions, particularly among teenagers and minorities, with decreases linked to a 10% wage increase ranging from 3.2% to over 7% in different contexts. Conversely, the CBO [3] and Michigan Ross study [9] present more nuanced views, recognizing potential job losses but also highlighting the potential for income gains, poverty reduction, and minimal net employment effects in many cases. Policymakers should carefully weigh these trade-offs and consider complementary policies such as training wages or direct support measures to mitigate adverse impacts. Ultimately, raising the minimum wage to a living wage is not a simple fix and must be implemented with consideration of local labor market conditions, worker skill levels, and business structures to ensure it benefits low-wage workers without disproportionately harming young and low-skilled employment prospects.