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**ECO251-B200**

**Should The Minimum Wage Be Raised to A Living Wage Despite the Potential Increase in Teenage and Low-Skilled Unemployment?**

**Thesis:**

Raising the minimum wage to a living wage improves financial stability for low-income workers and reduces poverty. However, it increases unemployment among teenagers and low-skilled workers by pricing out inexperienced labor, decreasing job access, and delaying skill development.

1. **Employment Policies Institute (2013) (website)**

This source examines the direct relationship between minimum wage increases and teenage unemployment, emphasizing that every 10% rise correlates with a 4.6-9.0% decline in teenage employment. The authors argue that higher wages put inexperienced teens out of the labor market, reducing their chances of gaining valuable job experience and life skills. The Employment Policies Institute is recognized for its research on labor policies, often advocating a pro-business perspective, which suggests an expected bias against raising minimum wages. Two key data points include: (1) teen unemployment is more than triple the national rate, illustrating the vulnerability of youth employment; and (2) a 5% spike followed by a 12% minimum wage increase in teenage unemployment.

1. **Congressional Budget Office (2024) (Government Report)**

The CBO report analytically evaluates the effects of raising the federal minimum wage to $17 by 2029. It highlights that increased wages will lift many low-income families out of poverty, but cause some job losses, particularly among low-skilled workers. The CBO is a nonpartisan federal agency, lending high credibility to its projections, but as a government body, it maintains a cautious, balanced point of view without ideological bias. Data extracted include: (1) the highest state minimum wages ($ 14 to $17) show an average unemployment rate of 4.06%, compared to 3.21% for states at the federal minimum; (2) while wage increases yield higher earnings for employed workers, some suffer decreases in hours or job loss, affecting aggregate employment.

1. **Kalenkoski, C. M. (2024) (Academic Journal Article)**

Kalenkoski’s article provides a comprehensive review of literature on how minimum wage hikes reduce youth employment by up to 7.4-10.5% among teenagers, while only raising incomes for those who remain employed, often at the cost of lost on-the-job training opportunities. The author is a recognized labor economist with expertise in youth employment effects, giving her apparent authority. The paper acknowledges methodological debates but supports the view that minimum wage effects are significant and mostly negative for youth employment. Two explicit findings include: (1) a 10% increase in minimum wage reduces youth employment by approximately 3.2 to 7%; (2) minimum wage hikes increase idle youth, those neither working nor in school, by as much as 20% in some contexts.

1. **Smithers, W. (2019) (Journal Article)**

Smithers employs a difference-in-differences methodology, analyzing 138 state-level minimum wage changes in the US and finds that while average wage earnings at the bottom increase by 5-10%, the total number of low-wage jobs remains unchanged. This nuanced result indicates that wage benefits for employed workers come with a balancing reduction or substitution effect for marginal jobs. Smithers, a respected economist with expertise in labor markets, is credible, and his data-driven methodology leans toward a balanced view without strong bias. Key data points are: (1) no significant net loss in low-wage jobs nationwide post minimum wage raises; (2) evidence of reduced employment in trade-exposed sectors, but general wage spillover effects boost earnings for low-paid workers.

1. **Abstract:**

This analysis addresses whether the minimum wage should be raised to a living wage despite the potential rise in teenage and low-skilled unemployment. The thesis posits positive effects on poverty reduction and worker earnings but acknowledges increased unemployment among vulnerable young and inexperienced workers. Empirical evidence from government reports, academic journals, and labor policy institutes indicates that a 10% minimum wage increase can reduce teenage employment by up to 10.5% and raise youth unemployment, driven by employers favoring experienced workers amid higher labor costs. While some studies argue job losses are minimal and offset by increased wages, the consensus suggests a trade-off exists between raising income for employed workers and limiting job opportunities and skill acquisition for others. Policy recommendations to mitigate these effects include targeted youth training wages or alternative welfare supports. Raising the minimum wage requires carefully balancing economic benefits with labor market access for low-skilled groups.

1. **Citations:**

Employment Policies Institute. (2013, March 7). Teen Unemployment - Minimum Wage. [Minimum Wage: Teen Unemployment - Employment Policies Institute](https://epionline.org/minimum-wage/minimum-wage-teen-unemployment/)

Congressional Budget Office. (2024, January 30). How Increasing the Federal Minimum Wage Could Affect Employment and Family Income. [How Increasing the Federal Minimum Wage Could Affect Employment and Family Income | Congressional Budget Office](https://www.cbo.gov/publication/55681)

Kalenkoski, C. M. (2024, December 4). The Effects of Minimum Wages on Youth Employment, Unemployment, and Income. IZA World of Labor. [IZA World of Labor - The effects of minimum wages on youth employment and income](https://wol.iza.org/articles/effects-of-minimum-wages-on-youth-employment-and-income/long)

Smithers, W. (2019, August). The Effect of Minimum Wages on Low-Wage Jobs. Quarterly Journal of Economic Insights, 134(3), 1405–1454. [Effect of Minimum Wages on Low-Wage Jobs\* | The Quarterly Journal of Economics | Oxford Academic](https://academic.oup.com/qje/article-abstract/134/3/1405/5484905?redirectedFrom=fulltext)