

# *The Effect of the Minimum Wage on Teenage Employment and Unemployment: A Meta-Analysis*

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## **Executive Summary:**

The minimum wage is an issue that affects a large portion of the American population. The minimum wage was instituted to ensure that individuals and families in the lowest income bracket would earn a living wage. However, increases made to the minimum wage may cause a ripple effect in the economy and in the workforce. Higher minimum wages mean higher expenses for companies. As a result, some companies may be forced to fire workers or reevaluate the employment ladder of their company.

Minimum wage increases and their effects on society are hotly debated topics in Congress and many other governing bodies throughout the country. Currently, the minimum wage is set at \$5.15 an hour, and has not been raised since 1997. Many states have responded to the federal government's unwillingness to change current rates by setting their own higher minimum wages. Recently, President Bush signed a bill which will raise the minimum wage to \$7.25 per hour over the course of two years.

In this meta-analysis, we are looked specifically at the results of a higher minimum wage on teenagers. After an exhaustive search of the available indexes, we located fourteen articles that estimated the effects of the minimum wage on teenage employment and unemployment, and which contained the necessary information for our

study. We found a substantial effect of higher minimum wages on teenage unemployment, defined as the percentage of teenagers seeking a job who can't find one. The consensus of our studies is that a one percent increase in the minimum wage leads to an increase in teenage unemployment of about two-thirds of one percent. However, a higher minimum wage leads to a much smaller effect on teenage employment, defined as the percentage of all teenagers who hold down a job. According to our studies, a one percent increase in the minimum wage reduces the percentage of teenagers holding a job by just two one-hundredths of one percent. In other words, the minimum wage doesn't seem to have much effect on the number of jobs teenagers hold, but does increase the number of teenagers looking for those jobs. Thus, the principal cost of higher minimum wages is not in lost jobs, as feared by some conservatives, but in the disappointment of the greater number of teenagers who seek, but cannot find, employment. Many policymakers will find this an acceptable cost in comparison to the benefits of a higher minimum wage in terms of reduced poverty and greater self-sufficiency.