Effects of Minimum Wage Laws on Teenage and Young Adult Employment

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Introduction

Minimum-wage laws are often debated through their effects on teenagers and young adults because younger workers have less experience, are concentrated in low-wage industries, and may be more sensitive to changes in hiring. The original essay presents only the argument that a higher minimum wage destroys large numbers of youth jobs and repeats numerical estimates without identifying assumptions or current evidence. A stronger analysis must distinguish theory from measured outcomes and acknowledge both benefits and costs. Raising a wage floor can increase earnings for young people who remain employed, reduce turnover, and improve job quality. It can also reduce hiring, hours, or training opportunities in some settings. The size of each effect depends on the policy and labor market.

Why Young Workers Are Central to the Debate

Teenagers and workers under twenty-five are overrepresented in hourly, part-time, entry-level, retail, food-service, and seasonal employment. Bureau of Labor Statistics data for 2024 show that workers under twenty-five represented about one-fifth of hourly paid workers but forty-three percent of those paid at or below the federal minimum. Among employed teenagers paid hourly, 2.6 percent reported wages at or below the federal minimum, compared with 0.7 percent for workers aged twenty-five and older. These figures do not show the effect of a policy change by themselves. They show that younger workers are more likely to be directly exposed to low wage floors and to the industries where adjustments may occur.

The Competitive-Market Prediction

In a simple competitive model, employers hire labor until the value of an additional worker's output equals the cost of employment. If the legal minimum rises above a worker's productivity, the employer may reduce hiring, substitute equipment, cut hours, raise prices, or reorganize tasks. Young applicants with limited experience may be affected first because employers have less evidence about their productivity and must also pay training costs. This mechanism explains why some economists expect negative employment effects. However, the model assumes that workers and firms have many alternatives, information is good, mobility is easy, and employers cannot influence wages. Real low-wage labor markets frequently depart from those conditions.

Monopsony and Employer Wage-Setting Power

When employers possess wage-setting power, wages can remain below the value workers create because changing jobs is costly, vacancies are limited, schedules are incompatible, or information is incomplete. In such a market, a moderate minimum wage can raise pay without reducing employment and may even increase it by attracting workers or reducing turnover. Modern monopsony does not require one company to dominate an entire town. Search frictions, transportation, discrimination, noncompete practices, unpredictable schedules, and differences among workplaces can give many firms some power. Young workers may have limited bargaining experience and transport options, making this framework relevant. The theoretical effect of a minimum wage is therefore ambiguous and must be investigated empirically.

Evidence Is Mixed rather than Absolute

Studies of minimum wages use comparisons across states, cities, industries, age groups, and policy changes. Results vary according to data, time period, research design, and the size of the increase relative to local wages. Some studies find little effect on overall employment, while others identify reduced employment or hours, especially for teenagers, low-skilled workers, or very large increases. The Congressional Budget Office emphasizes this uncertainty and reports a wide range of possible national outcomes. It is misleading to claim that every increase destroys jobs or that no increase ever does. Evidence should be interpreted around the specific policy, the affected wage distribution, economic conditions, and alternative ways employers can adjust. (Card & Krueger, 1995; Neumark & Wascher, 2008; Dube, 2019)

Wages and Income for Those Who Remain Employed

A higher minimum wage directly benefits young workers whose hourly pay rises and whose hours are not reduced enough to offset the gain. Increased earnings can help with transportation, tuition, food, family support, and savings. The effect on family poverty is complicated because many teenagers live in households with other earners and some low-income adults are not employed. Nevertheless, youth workers are not all dependents earning pocket money. Some contribute substantially to household income or live independently. Policy analysis should examine total earnings, not only the number of jobs. A small employment decline can coexist with higher aggregate pay for the group, while some individuals experience serious losses and others meaningful gains.

Hours, Scheduling, and Non-Wage Adjustments

Employers can respond without eliminating a position. They may reduce weekly hours, use fewer workers during slow periods, intensify work, change schedules, reduce bonuses, limit training, increase performance expectations, or slow future wage growth. They may also accept lower profit, improve productivity, or raise prices. Employment counts alone miss these channels. For teenagers, losing predictable hours or employer-supported training may matter even when they remain on payroll. Conversely, reduced turnover can create more stable schedules and stronger experience. Research should measure hours, earnings, job duration, benefits, and task changes. A policy can improve one dimension of job quality while weakening another, making simple job-loss claims incomplete.

Education and School Enrollment

The original essay suggests that lower youth wages encourage students to remain in school, while job loss can also make education unaffordable. Both mechanisms are possible. A higher wage may make work more attractive and increase school dropout for some teenagers, but it may also allow students to work fewer hours, pay educational costs, or reduce financial stress. Employment itself can teach punctuality, communication, and responsibility, yet excessive work hours can interfere with study and sleep. The effect depends on family income, school quality, available jobs, and the size and timing of the wage change. Policies should be evaluated alongside financial aid, career education, apprenticeships, and protections for young workers rather than in isolation.

Experience and the Entry-Level Ladder

Opponents argue that an entry-level job is valuable because it provides references, soft skills, and experience leading to higher wages. If minimum-wage increases reduce first-job opportunities, the long-term cost could exceed one period of lost earnings. This concern deserves attention, but it should not justify treating low pay as training when employers provide little genuine skill development. Jobs differ in supervision, responsibility, safety, and advancement. Governments can protect the entry ladder through targeted apprenticeships, subsidized training, summer jobs, and education-employer partnerships. A youth subminimum may expand hiring, but it can also encourage substitution of younger workers for adults and keep wages low without guaranteeing training. Design matters.

Scale of the Increase

A fifteen percent increase is not economically equivalent in every location. An increase from a wage far below the local median may affect few workers, while the same percentage applied to a binding wage can create larger adjustments. Phase-in periods allow businesses and workers to plan, and indexing prevents long gaps followed by abrupt political changes. Differences in housing cost, productivity, industry mix, and neighboring jurisdictions also matter. A national amount can be modest in a high-wage city and substantial in a low-wage rural area. Analysts should describe the starting wage, target, schedule, coverage, exemptions, and expected affected share before estimating consequences. Quoting a nationwide job number without these details creates false precision.

Current Federal Context

The federal minimum wage has remained $7.25 per hour since 2009, although many states and localities have adopted higher rates. This means that the federal minimum is binding for a smaller share of workers than it was immediately after the last increase. BLS data count workers who report pay at or below the federal rate, but the measure does not identify coverage under every federal, state, and local rule and excludes some earnings components. Current proposals often involve much larger target wages and the elimination of subminimums, so historical estimates cannot be transferred automatically. The economic question is the gap between the proposed wage and the wages employers would otherwise pay. (U.S. Bureau of Labor Statistics, 2025)

CBO Estimates and Their Limits

The Congressional Budget Office’s analysis of a proposed federal increase to fifteen dollars by 2025 estimated that most affected workers would receive higher earnings, poverty would decline, and employment would be lower than under current law. Its 2021 central estimate was a reduction of 1.4 million workers, but CBO emphasized substantial uncertainty. These estimates combine findings from a large research literature with assumptions about future wage growth, prices, business income, and labor demand. They are not direct observations of one enacted national policy. They also cover all affected workers rather than teenagers alone. CBO’s main contribution is showing that benefits and costs occur simultaneously and are distributed unevenly. (Congressional Budget Office, 2021; Congressional Budget Office, 2019)

Labor Unions and Political Motives

The original essay attributes support for higher minimum wages partly to labor unions seeking to reduce competition. Unions can have strategic interests, especially where negotiated wage scales are linked to statutory rates or where low-wage nonunion firms compete with union employers. Yet this does not explain all support. Unions may also advocate higher floors because they seek wage standards, reduced inequality, and bargaining leverage for workers. Business groups likewise have material interests when opposing increases. Policy arguments should be evaluated through evidence rather than dismissed because a participant has an interest. Transparent analysis identifies who gains, who bears cost, and whether claims are consistent with measured effects, regardless of the speaker's affiliation.

Policy Options to Reduce Youth Risk

Governments can combine wage floors with measures aimed at youth employment. Gradual phase-ins and regional analysis can reduce abrupt adjustment. Earned-income tax credits raise household income without placing the entire cost on employers, although many teenagers receive limited benefit. Targeted hiring credits, summer-employment programs, apprenticeships, transportation assistance, and training subsidies can support entry into work. Strong enforcement prevents compliant employers from being undercut by wage theft. Policymakers should also monitor hours, school enrollment, and demographic disparities after changes. A youth subminimum is one option but requires safeguards against displacement and permanent cycling through low-paid positions. No single policy solves wages, poverty, education, and experience simultaneously.

Conclusion

Minimum-wage increases can affect teenagers and young adults through wages, employment, hours, training, prices, turnover, and school decisions. Economic theory predicts job loss in a perfectly competitive model but allows neutral or positive employment effects when employers possess wage-setting power. Empirical research remains contested, with effects depending on the size of the increase and local conditions. Young workers who keep their jobs may gain meaningful income, while those who lose opportunities can suffer immediate and long-term costs. Responsible policy should avoid unsupported job-loss numbers and examine the complete distribution of consequences. Wage standards work best when paired with education, training, tax support, and careful evaluation of youth access to productive first jobs.

References

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