

# UNEQUAL HARM

## Racial Disparities in the Employment Consequences of Minimum Wage Increases

During the worst of the “Great Recession”—when a weak economy helped push the unemployment rate for young adults above 27 percent—the unemployment rate for black young adults was almost 50 percent. For black males in this group, the unemployment rate was 55 percent.

It would be easy to call this tragedy an unfortunate byproduct of the recession—easy, but inaccurate. New research from labor economists William Even (Miami University) and David Macpherson (Trinity University) demonstrates that increases in the minimum wage at both the state and federal level are partially to blame for the crisis in employment for minority young adults.

### FINDINGS

Drs. Even and Macpherson analyze Census Bureau data from the years 1994 through 2010, taking advantage of the “natural experiment” created by substantial interstate variation in the minimum wage during those years.

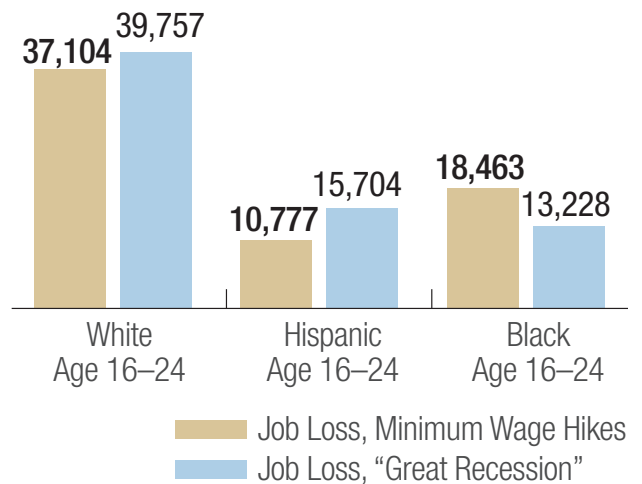
They focus on the labor market experience of 16-to-24 year-old males without a high school diploma—a less-experienced group that’s particularly susceptible to wage mandates. Among white males, the authors find that each 10 percent increase in a state or federal minimum wage has decreased employment by 2.5 percent; for Hispanic males, the figure is 1.2 percent. For black males, each 10 percent increase in the minimum wage decreased employment by 6.5 percent.

The effect is similar for hours worked: each 10 percent increase reduces hours worked by 3 percent among white males, 1.7 percent for Hispanic males, and 6.6 percent for black males.

The authors put these lost opportunities in context by comparing the job loss caused by the minimum wage with that caused by the “Great Recession.” Between 2007 and 2010, employment for 16-to-24 year-old black males fell by approximately 34,300 as a result of the recession; over the same time period, approximately 26,400 lost their jobs as a result of increases in the minimum wage across the 50 states and at the federal level.

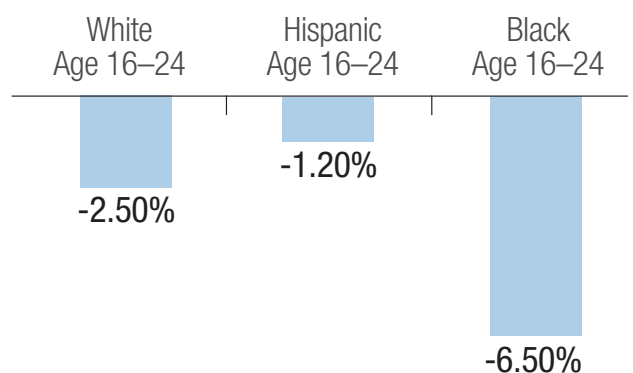
In the 21 states fully impacted by the 40 percent increase in the federal minimum wage between 2007 and 2009, the consequences of the minimum wage for black young adults without a diploma were actually worse than the consequences of the “Great Recession”.

### “Great Recession” Job Loss vs. Federal Minimum Wage Job Loss



Note: Job loss for male young adults without a high school diploma measured in the 21 states where all stages of the federal wage hike were binding.

### Employment Loss Following Each 10% Increase in Minimum Wage 1994-2010



Note: Job loss related to wage hikes at state and federal level for male young adults without a high school diploma.

### IMPLICATIONS

Why do young black males suffer unequal harm from wage mandates? The authors find that they’re more likely to be employed in eating and drinking places—establishments with narrow profit margins that are adversely affected by wage mandates. They also point to differences in job skills and experience that could be concentrated among subgroups of young men.

Political debates may continue, but the debate on the employment consequences of the minimum wage has been settled. It’s clear that those consequences are felt most by young black males.