

## POLICY BRIEF

# THE TEEN EMPLOYMENT CRISIS

### The Effects of the 2007-2009 Federal Minimum Wage Increases On Teen Employment

Between July 2007 and July 2009, the federal minimum wage was increased in three steps from \$5.15 an hour to \$7.25 an hour—a 40 percent hike. New research from the Employment Policies Institute (EPI) finds that there were 114,400 fewer teens employed as a result of this wage increase.

By carefully controlling for the effects of the recession and state-specific economic variations, economists William Even (Miami University) and David Macpherson (Trinity University) provide the first *comprehensive* estimate of teen employment loss that resulted directly from the federal wage hikes over the last three years.

The authors rely on Census Bureau employment data collected between January 2005 and April 2010. They follow a well-established empirical technique first initiated by labor economists Richard Burkhauser, Kenneth Couch, and David Wittenburg.

### Findings

The federal minimum wage increase did not impact all states equally, as some legislatures had already established a state minimum higher than the federal level.

- In states where all three stages of the minimum wage hike were binding, employment for teens aged 16 to 19 declined by 6.9 percent. This translates to approximately 98,000 fewer employed teens.
- For teens aged 16 to 19 with less than a high school diploma, employment fell by 12.4 percent. This translates to approximately 81,800 fewer employed teens.

The teen employment decline for all affected states was approximately 114,400. The authors note that these estimates are conservative; if employers react to the higher wage with longer-term hiring changes, due to automation or an increased reliance on customer self-service, the losses may be considerably greater.

The charts above include the states with the largest percentage employment loss for all teens ages 16 to 19, and for teens the same age but with less than 12 years of education.

### Teens Aged 16 to 19

	% Decline in Employment	Decline in Employment
1. Mississippi	10.70%	3,301
2. Georgia	9.20%	9,992
3. South Carolina	8.90%	4,712
4. Tennessee	8.20%	6,365
5. Indiana	7.90%	7,671
6. Louisiana	7.40%	4,483
7. West Virginia	7.30%	1,663
8. Virginia	7.20%	8,623
9. Alabama	7.20%	4,790
10. Texas	6.90%	26,900
11. Oklahoma	5.70%	3,811
12. Kentucky	5.60%	4,019

### Teens Aged 16 to 19, < 12 Yrs. of Education

	% Decline in Employment	Decline in Employment
1. Mississippi	19.60%	2,899
2. Georgia	17.50%	8,861
3. Tennessee	15.60%	5,364
4. South Carolina	15.50%	4,116
5. Virginia	14.60%	6,688
6. Texas	14.10%	21,387
7. West Virginia	13.40%	1,366
8. Alabama	12.60%	4,002
9. Louisiana	11.70%	3,790
10. Indiana	11.50%	6,788
11. Kentucky	10.70%	3,523
12. Oklahoma	9.50%	3,374

*The Employment Policies Institute is a non-profit research organization dedicated to studying public policy issues surrounding employment growth. In particular, EPI focuses on issues that affect entry-level employment.*