
Effects of the Minimum Wage on the Employment Status of Youths

An Update

Alison J. Wellington

ABSTRACT

The large decline in the relative value of the minimum wage during the 1980s makes that period a valuable one for identifying the impact of variation in the minimum wage on youth employment. This study produces the robust finding that, when the experience of the 1980s is included, a 10 percent increase in the minimum wage is estimated to reduce teen employment by less than 1 percent—the lower end of the range of previous estimates. Because this small employment effect is offset by a labor force withdrawal effect, the study finds no discernible effect on measured unemployment. The study also finds no apparent effect of the minimum wage on the employment of young adults aged 20–24.

Introduction

The federal minimum wage rate was last raised (to \$3.35) in 1981. In recent years Congress has repeatedly considered bills that would increase the minimum wage rate and is likely to face more bills as long as the minimum wage is not increased. In the almost fifty years since the passage of the Fair Labor Standards Act, the minimum wage rate has

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