

—Editorial—

Job Slayers

Buried within the good news in the recent U.S. job creation report is one sobering statistic: Unemployment among America's teenagers remains stubbornly high at 16%. Even more frustrating is that the jobless rate for African-American teens is close to 33%—higher than during the Great Depression.

To be sure, many of these teens aren't aggressively searching for jobs, so the official statistics somewhat overstate the problem. But what seems equally clear is that teens and unskilled workers face barriers to entry when they attempt to join the job market for the first time. The scandal here is that these barriers are created in large part by liberal policymakers who claim to represent the best interests of unemployed workers.

We are speaking most prominently of the minimum wage, which is again rearing its head in Washington and state capitals. For decades economists have piled up studies concluding that a higher minimum wage destroys jobs for the most vulnerable population: uneducated and unskilled workers. The Journal of Economic Literature has established a rule of thumb that a 10% increase in the minimum wage leads to roughly a 2% hike in teen unemployment.

Which brings us to that renowned compassionate liberal, Ted Kennedy, who wants to raise the minimum wage to \$7.25 from \$5.15 an hour this autumn. That 40% mandated wage hike would very likely raise the teen unemployment rate even higher. He must think low-wage workers are better off with no job at \$7.25 an hour than a real job at \$5.15 an hour.

But it's at the state level where super-minimum wage laws have become all the rage. This year already, seven states have enacted wage requirements above the federal minimum, bringing the total to 17 (see the nearby table). About 20 states, including California and Massachusetts, have pending legislation or ballot initiatives

to raise their wage requirements to as high as \$8 an hour.

At the local and state levels these minimum wage requirements are particularly destructive, because many businesses in low-wage industries can simply hop over state borders to less regulated climates. New Jersey raised its minimum wage in the 1990s and suffered a 4.6% loss in jobs in the fast food industry, according to a study by economist David Neumark.

Maximum Folly			
States with super-minimum wages			
Alaska	\$7.15	Minn.	\$6.15
Calif.	6.75	N.J.	6.15
Conn.	7.10	N.Y.	6.00
Del.	6.15	Ore.	7.25
Fla.	6.15	R.I.	6.75
Hawaii	6.25	Vt.	7.00
Ill.	6.50	Wash.	7.35
Maine	6.35	Wis.	5.70
Mass.	6.75		

Source: Employment Policies Institute

Advocates of a higher minimum wage often cite a study by economists David Card and Alan Krueger, which purported to show that no jobs were lost in New Jersey when the minimum wage rose in the 1990s. It's true that if a minimum wage is below the job-clearing price in any region, then it won't do as much as damage. And that was the case in some places during the 1990s' dot-com bubble. The problem is that no one is smart enough to know what that clearing price is for any area or any industry at any one time.

Moreover, economists generally agree that the methodology of that New Jersey phone study was flawed. Messrs. Card and Krueger based their conclusions on a telephone survey of restaurants and retailers, rather than on actual payroll data. When other researchers went back and resampled these establishments, they found widespread errors in the data.

We've sometimes lampooned minimum wages by asking why politicians should merely stop at \$7.25. If they're such a great idea,

why not \$20 an hour, or for that matter why not pay everyone in America a Senate salary? But now we find that a group called Wider Opportunities for Women, which is funded by unions, has actually advocated a "living wage" requirement of \$24 an hour in San Francisco and \$35 an hour in Manhattan, which of course would mean that hundreds of thousands of employed workers would suddenly have to make ends meet with a "living wage" of zero.

The minimum wage is about the most ineffective poverty abatement program ever conceived. A new study by the Employment Policies Institute (EPI) estimates that Mr. Kennedy's \$7.25 wage law would add \$18.3 billion of costs on mostly small and local businesses with typically thin profit margins—restaurants, hotels and retail shops. Only 13% of that money would go to families that can accurately be described as poor. The EPI study finds that only one out of every 11 minimum wage workers is the head of a poor household.

Minimum wage jobs are predominantly filled by new entrants to the labor force. The value of these starter jobs goes far beyond the modest salary. They teach people how to work: to show up on time, be courteous to customers, and use time productively. FirstJobs.org recently interviewed America's most successful CEOs, and it is striking how many mentioned the skills they learned on their first jobs as critical to their professional success. Without a first job, there can't be a second or third.

In his classic book, "The State Against Blacks," economist Walter Williams denounced the minimum wage as one of the most onerous forms of legal discrimination in the last quarter century. With one out of every three black teens now legislatively priced out of the job market, we wonder how much higher the jobless rate must go before politicians understand the folly of their false compassion.