



President Obama can't have his ice cream and eat it, too

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President Obama recently asked business owners to help create summer jobs for teenagers. He reminisced about his first job at an ice cream parlor and lamented that getting hired is harder than ever for young people. He's right.

Unfortunately, one of the president's favored policies — the minimum wage — exacerbates this problem. Minimum wages incentivize employers to substitute higher-skill workers — like adults and college students — instead of lower-skill, inexperienced teenagers. Minimum wage increases also cause poor teens to face increased competition from more affluent teens for low-skill jobs. Most important, minimum wages appear to hinder future employment opportunities, especially for minority teens.

President Obama's comments highlight his Summer Opportunity Project, which aims to connect young people with their first job. This is important because research shows that the experience a first job offers is an important steppingstone to a successful career. Conversely, youth unemployment creates lingering effects that diminish future income.

Scholars at the Brookings Institution and the Cato Institute have documented a general decline in teen employment since 2000. Since unemployed teens are associated with increased crime, deviant behavior and drug abuse, these developments are indeed worrisome.

These problems show why the minimum wage is a bad method to help the poor — it sacrifices the future to try to save the present. The long history of minimum wage research consistently shows that minimum wages cause the substitution of higher-skilled workers for lower-skilled

workers. Since teens constitute the lowest-skilled workers, they're often the first to suffer the negative effect of the minimum wage.

Higher minimum wages prompt more workers to seek employment. This means that teens from affluent families are more likely to compete for the same jobs as poorer teens. If affluent teens have competitive advantages in getting hired and staying employed, then the minimum wage harms the employment opportunities of poor teens. Research by Mark Turner and Berna Demiralp at Johns Hopkins University shows that black and Hispanic teens in urban areas are more likely to become "idle" — neither employed nor attending school — after minimum wage increases.

A minimum wage limits future opportunity as well. Recent research by Jonathan Meer and Jeremy West at Texas A&M University illustrates that minimum wage increases tend to reduce future job growth, especially in low-skill jobs where much of the increase typically occurs. Aspen Gorry at American Enterprise Institute showed that minimum wages increase future unemployment by preventing a worker from gaining necessary job experience. Further evidence gathered by University of California-Irvine professor David Neumark and Olena Nizalova indicates that teens exposed to higher minimum wages earned lower wages a decade later and that the effect was stronger for black teens.

Former Labor Secretary Robert Reich argues that minimum wage increases benefit businesses by reducing employee turnover, decreasing overall hiring costs. However, this is actually bad for workers, since they have less opportunity to move into better jobs as their skills increase.

President Obama's Summer Opportunity Project is laudable. Early experience in the workforce is a key element of long-term career success. However, the higher minimum wage policies that he consistently advocates for actually prevent teens from being hired. And those who most need job experience to develop career skills — poor and minority teens — are hurt the worst. Not even a president can have his ice cream and eat it, too.