NATIONAL EMPLOYMENT LAW PROJECT

NEW JERSEY POLICY PERSPECTIVE

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Excluding Young New Jersey Workers From a $15 Minimum Wage Is Bad Policy

Gradually increasing the minimum wage to $15 by 2023 would boost wages for 1.2 million out of New Jersey's 4.2 million workers. Of those 1.2 million workers, approximately 107,000 are workers under 20 years of age, representing an overwhelming majority—9 out of 10—of all teen workers in the state.

The New Jersey Legislature should reject calls from opponents to exclude young workers from the full $15 minimum wage—or set a lower rate for them—as this exemption would harm teens and their families. Working teens contribute significantly to family incomes. According to data analysis by the New Jersey Policy Perspective, in families with total incomes of $50,000 or less, teen earnings make up nearly 20 percent of total family income. This effect is more pronounced in families of color, according to the analysis.

Youth worker exemptions are not only harmful policies to New Jersey's young workers. They advance the interest of powerful business groups that seek to keep wages down for all workers. *A memo leaked in December 2017 from a well-known corporate lobbyist revealed a proposal for a multi-million dollar corporate campaign to undermine the successful movement for higher wages nationwide by pushing for youth carve-outs in minimum wage laws. The proposed public relations campaign would attempt to create "sympathy" for "youth victims" supposedly harmed by higher wages. However, the memo makes it clear that the real impetus for a youth exemption or carve-out is what its author termed the "sobering ripple effect on all entry-level wage rates"—in other words, that keeping youth wages low would help keep all wages low. This fact sheet offers details on the leaked memo and demonstrates why a lower minimum wage for young workers would harm all New Jersey workers and should be rejected as a corporate-backed strategy to stall efforts to raise wages more generally.*

A Lower "Youth" Minimum Wage Would Hurt Young Workers from Struggling Households and Students Working Their Way Through College

- Young workers in their mid- to late teens constitute the typical targets of minimum wage "youth" exemptions or carve-outs. These workers work side-by-side with their older counterparts across industries, and they often perform the same work. They, too, deserve a $15 minimum wage.
- An Economic Policy Institute analysis shows that 118,000 New Jersey teens are engaged in the workforce. Out of these, 107,000 would benefit from a minimum wage increase to $15 an

hour, representing an impact of over 90 percent in this group.[1] Statewide, teen workers make up nearly 9.2 percent of all workers who would benefit from the higher wage.[2] A total of 1.2 million workers in New Jersey stand to benefit from an increased minimum wage, which would provide a stronger wage floor for all workers.[3]

- Many young workers come from struggling low- and middle-income households, and their earnings provide essential household income.[4] An analysis of public data by New Jersey Policy Perspective reveals that working teens (age 16–19) in households making less than $50,087 (the bottom quintile) contribute, on average, almost a fifth (18.6 percent) of their families' total income.[5] In families of color, teen family members contribute more to family income (19.3 percent) as compared to white families (17.3 percent).[6]
- Many young workers are also college students who study hard and work long hours to try and cover at least some of their education expenses. In the U.S., nearly 50 percent of students pursuing a two-year degree, and over 40 percent of students pursuing a four-year degree work 35 hours or more per week.[7]
- Low wages can put students at risk of poverty, adverse health outcomes, and homelessness. Research shows that many working college students struggle with poverty. A worrying two-thirds of the country's community college students are food insecure, and 50 percent are housing insecure.[8] Food and housing insecurity can significantly affect college students' health, wellbeing, and ability to graduate.
- A $15 minimum wage would allow students to earn more money to cover tuition and other costs, finish school earlier, and take out fewer loans.

A Leaked Lobbyist Memo Reveals that the Push for a Lower "Youth" Minimum Wage Is a Corporate-Backed Strategy to Keep All Wages Low

- In December 2017, *The Intercept* published a leaked memo by the well-known corporate lobbyist Rick Berman.[9] A copy of the memo can be found here.
- As *The Intercept* explained, Berman "is well-known for setting up groups that appear as authentic academic policy shops and grassroots organizations but are actually fronts for his business clients."[10] His past clients and supporters include Philip Morris, which hired Berman to "downplay the risks of secondhand smoke," as well as the alcohol, meat, soda, and processed food industries.[11]
- The leaked memo pitches a multi-million dollar campaign to corporations in order to undermine growing support for a higher minimum wage across the country. One of the key strategies it proposes is pushing for a lower "youth" minimum wage.
- The memo begins by acknowledging that "[t]here will be significant erosion in Republican-held state legislative seats in November 2018" and that "[s]upport for doubling the Federal minimum wage to $15 and reducing tip credits does not trigger public concern." The memo warns that "[w]ithout an 'offense' communications strategy, we will be overwhelmed by expensive legislation."
- The memo goes on to explain that "[t]he industry response most likely to gain traction with the public is to emphasize the plight of low-skilled youth who have unemployment rates 4-5 times higher than the national rate and who are stranded on the sideline of the job market." Berman explains that a "bipartisan public is receptive to lower 'apprentice' or 'intern' wage rates for young people," and that a "'youth' wage will have a sobering ripple effect on all entry level wages."

- **The leaked memo shows that corporations view youth minimum wage exemptions not as a path to better wages for young workers, but as a way to undermine support for higher wages and keep wages low for all workers.**
- Moreover, the memo shows that corporations are willing to spend millions of dollars to use the faces and stories of young, struggling workers in order to hurt *all* workers' chance at a better future through a higher minimum wage.
- As outlined below, research shows that (1) a lower minimum wage for young workers would hurt *both* young and older workers, and (2) any declines in teen employment are unrelated to minimum wage levels.

State-of-the-Art Research Shows That Contrary to Opponents' Claims, Raising the Minimum Wage Does Not Cost Young Workers Their Jobs

- Opponents of a strong minimum wage for young workers sometimes argue that a higher minimum wage causes higher rates of youth unemployment. This is simply not the case.
- A recent study by University of California economists analyzed over three decades (1979 to 2014) of teen and restaurant employment data, comparing states with high average minimum wages and those with low average minimum wages (typically, equal to the federal minimum wage). The data did not show disemployment effects among restaurant workers and the effect on teen employment was only a fraction of the already negligible effect claimed by minimum wage opponents.[12]
- Previously, in 2011, this same team of economists had analyzed the effects of the minimum wage on teen employment in a state-of-the-art, peer reviewed study, "Do Minimum Wages Really Reduce Teen Employment?"[13] The study carefully examined the impact of all U.S. minimum wage increases between 1990 and 2009 on teen workers—including minimum wage increases implemented during times of high unemployment, such as the national recessions of 1990–1991, 2001 and 2007–2009.[14] The study found that the even during downturns in the business cycle and in regions with high unemployment, the impact of minimum wage increases on teen employment is the same: Negligible.[15]
- As *Bloomberg News* wrote in summarizing the study, "[This study is part of] a wave of new economic research [that] is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises."[16]
- A review of the data shows that youth employment levels have been falling for decades, including a dramatic decline since 2000.[17] This trend is unrelated to the minimum wage and has continued regardless of whether the minimum wage has been flat or increasing, making it clear that this decline has nothing to do with the minimum wage.[18]
- There are multiple reasons for this decline, including the fact that more teens and other young workers are full-time students than in the past, and those seeking work face increasing competition from adult workers over 55, many of whom cannot afford to retire and are turning to low-wage jobs.[19]

Fast Food and Retail Chains with High-Turnover Staffing Models Would Be the Main Beneficiaries of a Broad Youth Exemption

- The main beneficiaries of a minimum wage exemption for young workers are low-wage employers who have chosen a high-turnover staffing model. In the fast-food industry, employers have rates of employee turnover as high as 120 percent on an annual basis, according to researchers from the Cornell University School of Hotel Administration (as cited by Robert Pollin and Jeannette Wicks-Lim, PERI).[20] This means that, on average, fast-food and chain retail employers often replace their entire staff more than once a year.
- A minimum wage exemption for young workers essentially creates a loophole that would allow fast-food and other low-wage industries like chain retailers to pay young workers less simply because of their age, potentially incentivizing employers to discriminate against older workers.
- Moreover, youth exemptions, to the extent states or cities have adopted them, are often time-limited to allow for a sub-minimum wage only for periods often ranging from 30 to 120 days. This structure encourages low-wage employers to churn through staff to hire new young workers and continue to pay sub-minimum wages.
- A youth exemption is plain bad policy—it would punish some of the state's most vulnerable workers and encourage discrimination based on age. New Jersey should follow New York's lead and ensure that all workers share in the state's economic growth and prosperity.

Endnotes

1. EPI analysis of 2016 Current Population Survey Outgoing Rotation Group Microdata.

2. Ibid. (need to fix cite order)

3. Brandon McKoy, New Jersey Policy Perspectives, "A $15 Minimum Wage Would Help Over 1 Million Workers and Boost New Jersey's Economy," Feb. 22,

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4. Ibid.

5. U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2012-2016.

6. Ibid.

7. U.S. Department of Education, Profile of Undergraduate Students, 2011–2012 (Oct. 2014) at 5, http://nces.ed.gov/pubs2015/2015167.pdf.

8. Sara Goldrick-Rab, Jed Richardson and Anthony Hernandez, *Hungry and Homeless in College: Results from a National Study of Basic Needs Insecurity in Higher Education*, Association of Community College Trustees, March 2017, at 11, http://www.wihopelab.com/publications/Hungry-and-Homeless-in-College-Report.pdf.

9. Lee Fang & Nick Surgey, "Fearing 2018 Democratic Wave, Right-Wing Lobbyists Are Mobilizing Against a $15 Minimum Wage Push," *The Intercept*_, Dec.

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10. Ibid.

11. Ibid.

12. Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer, "Credible Research Designs for Minimum Wage Studies: A Response to Neumark,

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17. Teresa L. Morisi, Monthly Labor Review, Bureau of Labor Statistics, The Early 2000s: A Period of Declining Teen Summer Employment Rates (May 2010),

http://www.bls.gov/opub/mlr/2010/05/art2full.pdf. *See also* Julia Dennett & Alicia Sasser Modestino, Federal Reserve Bank of Boston, Uncertain Futures? Youth Attachment to the Labor Market in the United States and New England (Dec. 2013), http://www.bostonfed.org/economic/neppc/presentations/2013/sassermodestino120413.pdf.

18. Sylvia Allegretto, Arindrajit Dube and Michael Reich, 2011, op. cit.

19. Anne Thompson, National Employment Law Project, What is Causing Record-High Teen Unemployment? (Oct. 2011).

20. Robert Pollin & Jeannette Wicks-Lim, "A $15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs," *Political Economy*

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https://www.peri.umass.edu/publication/item/602-a-15-u-s-minimum-wage-how-the-fast-food-industry-could-adjust-without-shedding-jobs.