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A “Training Wage” Can Get Teens Their First Job – And Jumpstart Their Earning Potential

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Have you ever tried to hire an average teenager? A few years ago, when I needed some furniture moved, my mother reached out to some fundraising teenagers on my behalf, offering the wage that I had set. The three boys eagerly accepted the offer, showed up for work and proceeded to demonstrate why it can be so difficult for many teenagers to land and maintain employment. They not only lacked experience, but they required detailed tutoring in seemingly straightforward work. More time was spent teaching them how to lift, move and pack furniture than they actually spent working.

In Oregon, you cannot legally employ anyone, teen or otherwise, for less than \$8.50 per hour, even if his actual labor is worth much less. It should be little surprise then, that our population’s least experienced workers – teenagers – had an unemployment rate of 28.8 percent last year (much higher than the state’s rate of 10.2 percent). The national teen employment rate in 2010 was a meager 27 percent, which has dropped substantially since 2000, when it was healthier (but still too low) at 45%.

Such dismal employment levels are what inspired House Bill 3279, for which the Oregon House Business and Labor Committee held a hearing a few weeks ago. The bill would allow teens to work for less than minimum wage (as low as \$7.25, the federal minimum wage) for their first 90 days of employment. Sadly, many legislators met the bill with suspicion, fearing it would create an unfair bias in favor of teenage workers. These legislators worry that teenagers would displace adults by being able to work for less.

Six percent of U.S. workers paid by the hour earn federal minimum wage or less. Only four percent of workers older than 25 earned at or below the federal minimum wage in 2010, according to the Federal Bureau of Labor Statistics. But 25 percent of working teenagers earned at or below minimum wage. Multiple studies have shown that most minimum wage workers move ahead to higher wages. A more detailed study of minimum wage workers revealed that few adults, and even fewer parents, rely on their minimum wage job as their primary source of income. Most minimum wage workers are providing a secondary or third source of family income. And most workers, as they build skills, eventually will earn more than minimum wage.

Accordingly, it would behoove legislators to help teens build their skills earlier, rather than pricing them out of the market.

Instead, with the bar set too high for many teens, not only are they earning less money to spend and save for valuable investments later (like college), they are not gaining the invaluable experience that will allow them to earn more down the road by developing their skills, or “human capital.”

“Human capital” describes a person’s attributes that increase her earning potential and ability to grow wealth. It includes a person’s “intelligence, educational background, work experience, knowledge, skill and health,” according to Michael Sherraden’s influential book, *Assets and the Poor*. It is also important to our nation. According to Gary Becker, a prominent theorist, human capital accounts for around 75% of the United States’ wealth, with the rest consisting of capital in businesses, homes, goods, and government capital and cash. It is the proverbial knowledge of how to fish, versus the fish itself.

Teenagers are easily influenced. According to Andrew Sum, Director of the Center for Labor Market Studies at Northeastern University, especially among low-income and minority youth, “[t]he more teens work this year, the more they work next year.” If they do not work now, they are less likely to work later. But with increased experience, teens will earn better wages and be more likely to hold a steady job later. They are also more likely to graduate from high school (developing another form of human capital).

With such a weight of evidence, legislators should reconsider HB 3279. Inexperienced teens need the opportunity to work for a “training wage,” something less than minimum wage, so that they, too, can acquire the skills and experience to earn more in the future.

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