



Welcoming Teens into the Massachusetts Workforce



A New-Jobs Report on
Teenagers and the Minimum Wage

New Jobs for Massachusetts, Inc.

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Executive Summary

How to Improve Teen Employment. With **26,000 teenagers unemployed** at year-end 2014, teen employment in Massachusetts is mired in a depression. Two important Massachusetts laws create this serious problem—a universal minimum wage with no provision for teenagers, and a requirement that retailers pay time-and-a-half on Sunday. Retailing employs 51 percent of teens nationwide. These two legal barriers hurt teens and eliminate the most promising market for their work.

Change the Law to Stop Overpricing Teens. The two legal barriers overprice teenaged employees beyond their economic value to employers. Overpricing teens benefits older entry-level workers who take teens' places in the workforce. With an increasing number of older workers looking for entry-level jobs, teens are locked out of the employment market. This overall downward mobility characterizes a competitive work environment that is generating minimal net new-job growth for a growing population. All of this damage to the entry level of the workforce can be reversed by changes in state law.

First, Use the Federal "Training Wage" Model. As a model for change, federal minimum wage law establishes a \$4.25 per hour teen training wage, limited to 90 days with any single employer. Individual teens can work at this level for sequential employers or for several employers part-time at the same time. Adopting this model would relax Massachusetts' minimum wage law, which stipulates a single rate.

Second, Eliminate the Last of the Blue Laws. Sunday retailing became legal in Massachusetts in 1980. But a leftover Blue Law requires most retailers to pay time-and-a-half on Sundays even to Sunday-only workers, without regard to length of workweek. This second overpricing of teens' work makes it even harder for them to find work. Calculations in this report show that by 2017, teens new to the work force will have to add nearly \$60 per hour in new revenue to a retail employer to be worth hiring.

Create 37,900 New Teen Jobs. New Jobs' analysis shows that aligning the Massachusetts minimum wage law for teens with federal law and eliminating the Blue Law provision on retailing wages would create up to 37,900 new teen jobs in the commonwealth.

This is a Proven Approach. New Jobs found 39 states' wage and hour laws that make a specific allowance for teens entering the workforce.

Sources. New Jobs for Massachusetts based this analysis on data from the US Bureau of Labor Statistics, the Current Population Survey from BLS and the US Census Bureau, and facts from a comprehensive University of Georgia study.

About New Jobs for Massachusetts, Inc.

New Jobs for Massachusetts advocates for rapid growth in private sector employment in Massachusetts. New Jobs works to relax and remove the legal barriers to all jobs: regular employment, self-employment, independent contracting, entrepreneurship, start-ups, spin-offs, youth employment, part-time employment, family businesses, work during retirement, and work in the professions and trades.

This is the third New-Jobs Report. The first two covered the Massachusetts inventory tax and the Massachusetts independent contractor laws. PDF files of all three reports and supporting publications are available to the public for free at the Our Research page of our website, <http://www.newmassjobs.com/#!our-research/c18uz>. Comments, questions and feedback are welcomed; please email them to research@newmassjobs.com.

Welcoming Teens into the Massachusetts Work Force

Massachusetts has a dire teen employment problem. At the close of 2014, **26,000 teenagers in the commonwealth were officially categorized as unemployed**. (Please see Figure 1 for a summary and Appendix One for the year-to-year detail). Teen employment in Massachusetts has been falling since before 2000, as BLS statistics and parents of teens will confirm. Teen unemployment is a widespread and persistent problem for our state. We have 382,000 teens between their 16th and 20th birthdays (Column 2), and they've been hit hard.

Figure 1.
Massachusetts Teen Employment Fact Summary, 2000-2015

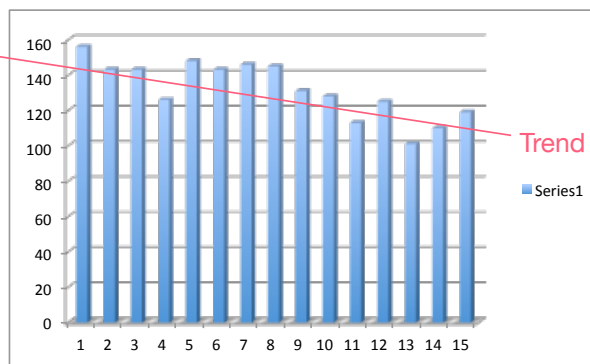
COLUMN # -->	1	2	3	4	6	7	8	9	10
YEAR NUMBER	YEAR	NUMBER OF MASS TEENS	TEENS 16-19 WANTING TO WORK	TEENS IN SCHOOL OR DROPPED OUT	TEENS WITH JOBS	TEEN EMPLOYMENT RATE	TEENS NOT WORKING BUT WANTING EMPLOYMENT	TEEN UNEMPLOYMENT RATE	STATE MINIMUM WAGE (FOR TEENS AND ADULTS)
1	2000	332,000	173,000	159,000	156,000	47.1%	16,000	9.4%	\$ 6.00
15	2014	382,000	145,000	237,000	119,000	31.2%	26,000	17.7%	\$ 8.00
	ACTUAL CHANGE	50,000	(28,000)	78,000	(37,000.00)	-15.9%	10,000	8.3%	2.00
	PERCENT CHANGE	15.1%	-16.2%	49.1%	-23.7%	-33.8%	62.5%	88.3%	33.3%
SOURCES: U.S. BLS; CURRENT POPULATION SURVEY FROM BLS AND U.S. CENSUS									

As of 2014, the unemployment rate among the approximately 145,000 Massachusetts teens who wanted to work was **17.7 percent**, or more than one out of every six teens (Column 9). Since 2000, Massachusetts' teen population has grown by 15 percent and the teen unemployment rate has risen 88 percent (Column 9). The portion of teens who want to work has fallen by 16 percent (Column 3). This teen withdrawal from the work force might be partially attributed to after-school activities. But the number of teens actually working has fallen by even more – 23.7 percent (Column 6), so the number of teens wanting work but currently not working has risen 62.5 percent (Column 8). Figure 2 shows the downward trend. As Andrew Sum, a noted economist at Northeastern University's Center for Labor Market Studies has repeatedly said, **“teen employment is in a depression.”**

Isn't Getting Hired Tough for Everyone?

Yes, and it's toughest for inexperienced workers. Massachusetts' most effective avenues of widespread job growth – manufacturing, retailing, distribution and personal services—have been closed off for more than 11 years by two state laws that New Jobs has previously reported on¹: the **inventory tax** and the **independent contractor law**. With those two legal barriers still in place, inexperienced workers of any age face much more difficulty getting hired into entry-level jobs.

Figure 2.
Trend in Massachusetts Teen Employment



VERTICAL AXIS: FIGURE 1, COLUMN 6; 000 OMITTED.
SOURCES: SAME AS FIGURE 1

What happens next works like a destructive cascade down a ladder: **older inexperienced individuals seeking work move down to entry-level jobs**, where their greater maturity and broader life experience allow them to take positions that would otherwise go to teenagers. **Everyone drifts toward the bottom, knocking teenagers off the lowest rung. Teens personally absorb the impact of slow net job growth for all.** Normally we'd welcome teens; what Massachusetts has now is abnormal for a freely accessible workplace.

Teens enter the workplace vulnerable to this destructive cascade since they usually have few marketable **skills**, little or no **experience**, sometimes little **comfort with working hard for others**, and their **job-search networks are usually limited to family connections**. Many of teens' shortcomings arise from devoting most of their time to schooling and after-school activities. However, from a public policy perspective **the teen years are an important time**, since as teens we develop the skills and experience we will use as self-supporting adults.

Figure 3.
What Employers Look for When Hiring

Employers seek employees with:

- Experience, knowledge of the business
- Self-control, cooperation, empathy
- Reliability, perseverance, thoroughness
- Good work habits—punctuality, respect, self-supervision
- Values—honesty, integrity, avoidance of theft, fraud, destructive behavior
- Diplomatic interaction
- Ability to communicate,
- Commitment and patience.

Skills and traits like these are learned, and learning them takes time. Teens normally have few of these skills and seldom demonstrate effectively those in this list they do have. **The best way to learn these skills is on the job**, from supervisors and co-workers.

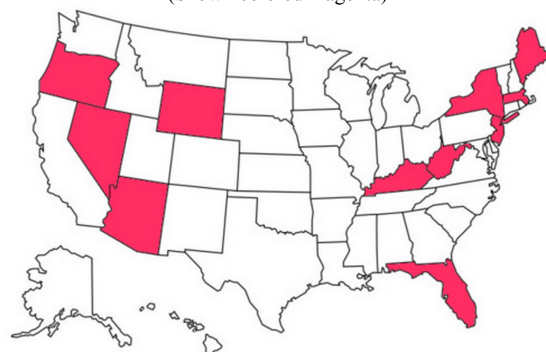
SOURCE: *SIGNALING SUCCESS*, COMMONWEALTH CORP., 2013

In 2015, **hiring a Massachusetts teen is too often an act of charity** by a company or entrepreneur. Figure 3 shows eight characteristics employers generally look for when hiring. Teens, having spent most of their time with classroom peers and little time with employed adults on the job, measure up poorly by most employers' standards. But worse, there are two significant other barriers at work, and both barriers price teens out of the job market.

The First Overpricing Barrier—Wage Level. Massachusetts law **overprices teens' labor** through a high and rising minimum wage that applies to people of all ages. High minimum wages make the hiring of those with limited experience and skill flatly prohibitive. Play a simple mental game for a moment: would you be employable if the state minimum wage were set at \$500 per hour? We'd have a very small work force—only the highest-priced attorneys, surgeons, business executives and lobbyists could overcome that barrier. **The current state minimum wage law overprices youth by requiring they be paid more than the value they create for their employer.** Our state's high and flat minimum wage law hits teens the hardest.

The Massachusetts minimum wage rose 33 percent from 2000 to 2014 and has nearly tripled since 1980. From its current level of \$9.00 per hour—a 50 percent increase since 2000's \$6.00 per hour—it will rise again to \$10 in 2016 and \$11 in 2017. By 2017 the minimum wage will have risen from \$6 to \$11 per hour, an 83 percent increase in 17 years. The minimum wage is a serious problem for teens now, and will soon get markedly worse. **A high minimum wage removes the welcome mat for teens.**

Figure 4.
Eleven States Having No
Minimum Wage Provisions for Teens
(Shown colored magenta)



Thirty-nine states recognize their responsibility to minimize economic damage to their children and take some explicit step to reduce the damage high minimum wage laws do to youth (Please see Figure 4 for a map showing the 11 holdouts, including Massachusetts). Every state has a compelling interest in welcoming all residents into its workforce. **Any state that proudly educates students from around the world has a particular interest in helping teens get started working.**

A Second Overpricing Barrier—Singling Out Teens’ Best Sector for Work. As the Ronco pitchman used to say, “*Wait, there’s more!*” Compounding the overpricing of teens by the state minimum wage, Massachusetts overprices teens another way. Nationwide, 51 percent of employed teens work in retail. And Sunday afternoon in Massachusetts is the highest sales-per-hour period for retailers, according to the Retailers Association of Massachusetts. **Sunday retailing should be a teen’s first target for work.** But Massachusetts law locks teens out.

Massachusetts imposes a selective—and much-higher—minimum wage **only on the retailers most likely to need Sunday help:** outlets with seven or more retail workers, counting even the owner if the owner works at retail. Since 1980, when Sunday retailing was legalized, Massachusetts state law has set **the Sunday minimum wage at time-and-a-half** for these retailers. This special law is terribly destructive to teens.

Here’s how this legal lockout works. Following down the year-2015 column of Figure 5, a teenager with no experience who wants to work in a mall store on Sundays this summer will cost the retailer the minimum wage -- currently \$9 per hour – times 1.5, which equals \$13.50. Then there are employer costs and accruals of at least 20 percent, which brings the employer cost total to \$16.20 (Line 5). Since the incremental sales required for a new hire function as a multiplier, the new teenaged employee would have to bring in three times (Line 6) his or her cost in additional sales per hour — \$48.60 per hour in 2015, \$59.40 per hour by 2017 (Line 7). Achieving such huge jumps in sales growth from an apprentice counter or stockroom clerk is most unlikely.

Figure 5.
How the Rising Minimum Wage
Makes Teenagers Uneconomical

LINE	COST ENTRY	2015	2016	2017
1	MINIMUM WAGE FOR MASS. TEENS	\$ 9.00	\$ 10.00	\$ 11.00
2	TIME-AND-A-HALF WAGES APPLIED TO SUNDAY RETAILERS (LINE 1 TIMES 1.5)	\$ 13.50	\$ 15.00	\$ 16.50
3	TYPICAL RETAILERS' TEEN FRINGE ALLOWANCE FOR SUNDAY HELP (LOWER THAN FOR REGULAR HELP)	20%	20%	20%
4	LINE 3 PLUS THE VALUE 1 TO CREATE A MULTIPLIER	1.2	1.2	1.2
5	A TYPICAL RETAILER'S TOTAL HOURLY COST ATTRIBUTION TO SUNDAY HELP (LINE 2 TIMES LINE 4)	\$ 16.20	\$ 18.00	\$ 19.80
6	TYPICAL RETAILER'S SALES MULTIPLIER TO CONVERT PAYROLL TO REVENUE	3	3	3
7	ADDITIONAL GROSS SALES PER HOUR A RETAILER NEEDS TO RECOVER TEEN'S HOURLY LABOR COSTS (LINE 5 TIMES LINE 6)	\$ 48.60	\$ 54.00	\$ 59.40

In addition to the extra cost to employ an unskilled teen, an employer willing to hire teens under these our-state-only circumstances has to calculate the risks of **treble damages without trial**, plus accruals for all applicable fringe benefits plus paid sick leave, if the retailer makes a mistake on any payroll entries. Treble damages intimidate employers.

Massachusetts retailers face the same problem as retailers nationwide: consumers’ adoption of online purchasing. To keep their costs and risks low, **Massachusetts retailers simply play it safe by not hiring teens at all.**

Consider a Two-Part Solution. There exists a proven solution, which Massachusetts should consider. The federal government’s labor law provides what’s called a “**training wage**” that allows a retailer to pay a teen \$4.25 or more per hour for up to 90 days or until the teen’s 20th birthday, whichever comes first. **This federal provision was designed with summer employment and on-**

the-job training in mind. This lower training wage is ideal for highly schooled youth in a state like Massachusetts. **After 90 days, the regular minimum wage applies.** Under federal law, a teen can work for several employers at this rate, either in sequence or at the same time. Federal law strictly prohibits employer misuse of the 90-day training wage.

Figure 6.
Calculating the Impact of Adopting the
Federal Teen Minimum Wage

LINE	ITEM	NUMBER	COMMENTS
1	OLD 2014 TEEN WAGE MIN RATE	\$ 8.00	
2	PROPOSED 2015 RATE	\$ 4.25	
3	DECLINE PERCENTAGE	46.9%	LINE 1 MINUS LINE 2, ALL DIVIDED BY LINE 1
4	DECLINE DIVIDED BY 10%	4.69	TO FIND NUMBER OF PERCENTAGE CHANGE UNITS
5	LOW END OF RANGE OF RESPONSE	4.60	
6	HIGH END OF RANGE OF RESPONSE	9.00	
7	MIDPOINT OF RANGE OF RESPONSE	6.80	
8	PERCENTAGE INCREASE IN JOBS FROM LOWER WAGE	31.88	LINE 4 TIMES LINE 7
9	TEEN JOBS IN 2014	119,000	
10	INCREASE IN JOBS FROM TMW	37,931	LINE 8 TIMES LINE 9
11	BLS-CALCULATED NUMBER OF TEENS LOOKING FOR WORK	26,000	
12	EXCESS EMPLOYMENT FOR OTHER ENTRANTS OR INCREASED WAGES	11,931	LINE 10 MINUS LINE 11
	SOURCE US BLS' LAUS		

Massachusetts law currently makes no accommodation for teens in its minimum wage law, but it could and it should.

Would Reducing Teen Wage Overpricing Help? A 2006 University of Georgia study suggests that it would. The Georgia study found a strong correlation between the minimum wage and teen employment. This study, “The Effect of Minimum Wage Increases on Retail and Small Business Employment,” determined that a 10 percent increase in the minimum wage leads to a decrease of 4.6 percent to 9 percent in teen employment in small business, the primary employer of teens. If a 10 percent increase in the minimum wage causes a 4.6 percent to 9 percent drop in teen employment, then a 10 percent *decrease* in the minimum wage should lead to a

corresponding and proportionate *increase* in teen employment. (Please see Sidebar nearby.)

New Jobs for Massachusetts estimates that aligning the Massachusetts teen wage with federal law and removing the time-and-a-half requirement for retailing on Sunday would likely produce as many as 37,900 new teen jobs in smaller businesses. Figure 6 shows the calculations. The “excess employment” in Line 12, 11,931 jobs, is an important predictor that the typical wage actually paid to teens will be higher than the minimum, in order to fill the openings these changes create.

State government could improve teen employment by reducing Massachusetts’ teen minimum wage to the federal short-term level of \$4.25 per hour and repealing the Blue Law provision that overprices Sunday retail labor.

Relaxing the minimum wage law in this way would dramatically increase the number of summer job openings and create additional entry-level opportunities. These increases would be particularly significant among small service employers such as **retailers, restaurants and child care** that require entry-level skills, are labor intensive, and tightly constrained by costs and buyer alternatives. Further teen employment opportunities in maintenance, facilities, and recreation would likely open up broadly.

Summary. New Jobs for Massachusetts proposes **changing state law by aligning it with the federal teen wage provisions and removing entirely the requirement for time-and-a-half for retail workers on Sunday.** Teens would gain valuable work experience that would increase their future employability and help them achieve longer-range career goals, including higher lifetime earnings **The welcoming impact of a lower teen minimum wage and the removal of the Blue Law penalty would be felt by teens and their families in all cities and towns Massachusetts.**

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Sources:

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Massachusetts Department of Labor and Workforce Development (www.mass.gov/lwd/labor-standards/minimum-wage)

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Sabia, Joseph J., University of Georgia, May, 2006, “The Effect of Minimum Wage Increases on Retail and Small Business employment”)

U.S. Bureau of Labor Statistics LAUS (Local Area Unemployment Statistics, Massachusetts 2000 to 2014)

U.S. Department of Labor, Wage and Hour Division (WHD)
2000-2013

_____, Wage and Hour Division, (www.dol.gov/whd)

Appendix One

Teen Employment and Unemployment Data, Massachusetts, Annually, 2000 to 2014

COLUMN # -->	1	2	3	4	6	7	8	9	10
YEAR NUMBER	YEAR	NUMBER OF MASS TEENS	TEENS 16-19 WANTING TO WORK	TEENS IN SCHOOL OR DROPPED OUT	TEENS WITH JOBS	TEEN EMPLOYMENT RATE	TEENS NOT WORKING BUT WANTING EMPLOYMENT	TEEN UNEMPLOYMENT RATE	STATE MINIMUM WAGE (FOR TEENS AND ADULTS)
1	2000	332,000	173,000	159,000	156,000	47.1%	16,000	9.4%	\$ 6.00
2	2001	336,000	167,000	179,000	143,000	42.5%	14,000	9.2%	\$ 6.75
3	2002	346,000	157,000	179,000	143,000	41.4%	23,000	14.0%	\$ 6.75
4	2003	328,000	150,000	178,000	126,000	38.4%	24,000	16.0%	\$ 6.75
5	2004	362,000	171,000	191,000	148,000	40.9%	23,000	13.4%	\$ 6.75
6	2005	358,000	165,000	193,000	143,000	40.1%	22,000	13.2%	\$ 6.75
7	2006	373,000	164,000	209,000	146,000	39.0%	19,000	11.4%	\$ 6.75
8	2007	382,000	166,000	216,000	145,000	38.0%	21,000	12.7%	\$ 7.50
9	2008	355,000	154,000	201,000	131,000	37.0%	23,000	14.9%	\$ 8.00
10	2009	397,000	152,000	245,000	128,000	32.1%	25,000	16.2%	\$ 8.00
11	2010	391,000	143,000	248,000	113,000	28.7%	31,000	21.4%	\$ 8.00
12	2011	384,000	148,000	236,000	125,000	32.6%	23,000	15.5%	\$ 8.00
13	2012	386,000	127,000	259,000	101,000	26.3%	26,000	20.2%	\$ 8.00
14	2013	400,000	138,000	262,000	110,000	27.4%	29,000	20.7%	\$ 8.00
15	2014	382,000	145,000	237,000	119,000	31.2%	26,000	17.7%	\$ 8.00
	ACTUAL CHANGE	50,000	(28,000)	78,000	(37,000)	-15.9%	10,000	8.3%	2.00
	PERCENT CHANGE	15.1%	-16.2%	49.1%	-23.7%	-33.8%	62.5%	88.3%	33.3%

Sidebar

Interpreting Tradeoff Factors

This New-Jobs report discusses utility curves without mentioning the term. Such curves are a common tool. Utility curves show mathematically how users choose between alternatives.



A utility curve works like an exchange rate between two different choices. This report discusses how job creators trade off wages (horizontal axis) and numbers of jobs (vertical axis). If wage rates go up (by moving rightward down the curve), the number of jobs offered goes down. Utility curves are normally smooth if they measure two variables only, which is what we are talking about here.

At any given point of analysis, such as in the tiny rectangle on the curve above, the tradeoff has the same slope in both directions. The slope is the ratio between things traded for each other. In the University of Georgia study, at 10 percent more or less pay per hour, teen employment falls or rises 4.6 to 9 percent. People often ask if tradeoff numbers apply in both directions. The short answer is, yes, they do.

