

## **FACT SHEET: Decreasing the Minimum Wage for Young People is Not the Answer to Puerto Rico's Problems**

Some have suggested decreasing Puerto Rico's minimum wage for workers under age 25 as a way to address our economic crisis. One such proposal would drop the minimum wage by 41 percent for young people, to just \$ 4.25, leaving many with dramatically less to get by. This would not only destabilize many Puerto Rican families and make life harder for our young people, but it also would fail to address Puerto Rico's underlying economic and financial problems.

### **A lower minimum wage will hurt young people and families**

For Puerto Rico to enjoy economic and social development, work and economic compensation must be fair, not only for adults but also for young people.

Our families, children and youth are living in poverty already, and a lower minimum wage would make things even worse. 57% of children and youth of the country lives in poverty. We know that the positive development of children and youth is put at risk by poor living conditions.

Our youth often contribute to family income out of necessity, to ensure that basic needs are met. Imagine a recent college graduate, with the skills, talent and a strong desire to contribute to their family and their country, whose wage is reduced to \$ 4.25 per hour. That worker will now struggle even more to help put food on the table for his mother and siblings, and in many cases grandparents. Even if we're talking about a young man on his own who works 40 hours a week, a big assumption since we know many young workers aren't given full-time work, that's a weekly wage of \$170 or \$8,840 annually. This is well below the federal poverty line for an individual (\$11,880) and would leave him unable to afford basic needs like food, housing, water, electricity, and clothing, not to mention other priorities like school and books.

### **Lowering Puerto Rico's minimum wage won't help because it is not the problem**

Establishing a lower minimum wage for young people is not going to help Puerto Rico's economy and is unlikely to encourage greater labor force participation, which is currently just 41%.

Instead, it will hurt current younger workers who will see their purchasing power shrink and have less to put back into the economy.

In addition, cutting the pay of our youth could encourage them to leave for the mainland to seek better paid jobs or to move into the informal economy where work is more lucrative in the short-term but lacks benefits and puts them at risk in other ways. In either case, we could lose an important segment of our formal labor force to our long-term detriment.

Moreover, the idea that Puerto Rico's minimum wage is too high and causing our economic problems is unfounded. A recent analysis of this issue by Arindrajit Dube and Ben Zipperer concludes that minimum wage is not the culprit:

*"First, the current inflation-adjusted value of the federal minimum wage is not higher than it was when Puerto Rico first adopted it. Puerto Rico's minimum wage is worth slightly less today than in 1983, even though its economy, in terms of GDP per capita, has grown by 72 percent.*

*Second, real wages in Puerto Rico were lower three decades ago. As a result, if we measure the bite of the minimum wage as the ratio of the minimum wage to the average manufacturing wage, the bite was closer to 70 percent when Puerto Rico first adopted the federal minimum wage, much higher than it is today, at 53 percent. (We use the manufacturing wage for this comparison because the median wage series is not available over as long a historical period, to the best of our knowledge.)*

*Third, additional evidence suggests the current minimum wage in Puerto Rico is also less consequential today than it was during the 1980s. In 1983 the share of Puerto Rico's workers affected by the minimum wage was around 44 percent, but by 2010 this share [had fallen to around a third. It is difficult to explain the economic crisis in Puerto Rico starting in the mid-2000s with a minimum wage that is, if anything, on the wane.](#)" (Arindrajit Dube and Ben Zipperer *Puerto Rico's predicaments: Is its minimum wage the culprit?* accessible at <http://equitablegrowth.org/puerto-ricos-predicaments-minimum-wage-culprit/>)*

In other words, young workers' wages didn't create our current economic crisis and reducing their wages won't fix the problem.

### **Puerto Rico should focus on the real issues at hand**

The big fix that Puerto Rico needs right now, according to experts, is debt restructuring that allow us to pay our bills and keep our economy and services running, not minimum wage changes that shortchange our younger workers.

We also need to get more people working in the formal labor market to generate economic activity and that points to policies like EITC and perhaps a subsidized employment program, not a lower minimum wage.

And we need Congress to treat Puerto Rico fairly and bring its match funding for our Medicaid program in line with what it offers the rest of the United States.

### **Who would be hurt by lowering the minimum wage for young people in Puerto Rico:**

- It is estimated that there are 808,848 youth aged 16 to 25 in Puerto Rico (2014).
- According to the census, 54% of youth aged 16 to 17 and 52% of youth aged 18 to 24 live with incomes below the poverty level.

- According to the 2013 Migrants Profile by the local Statistics Institute, between 2012 and 2013 the median age of the immigrant population was 28.
- According to the Department of Labor there are 127,000 youth aged 16 to 24 in the local work force.
  - 16 to 19 years: 15,000
  - 20 to 24 years: 112,000
- The employment rate for youth in Puerto Rico is 41% and in the United States is 62%
- The participation rate in the 16 to 24 age group is 26.7%
  - 16-19: 7.3%
  - 20-24 years: 42.1%
- The higher participation rate of young people was 40% in 2005
- 170,000 (18%) of all unemployed people in PR were 16 to 24 years-old
- Unemployment rates:
  - Unemployment in Puerto Rico reached 14% in 2014, while in the United States was 7%.
  - Total (young): 24.5%
    - 16 to 19 years: 39.3%
    - 20-24 years: 22.5%
  - General population: 14.3%
- The main reason for youth unemployment in 2013 was the involuntary termination of their work - 43.7% or 14,000 unemployed youth.
- The average young people outside the labor force in 2013 was 350,000.
- The main reason among youth to not enter the labor market was attending school full time (80.0%) followed by assisting with domestic chores (11.4%).



For the sake of these thousands of youths in Puerto Rico, we should not lower the minimum wage and instead should pursue real solutions to Puerto Rico's economic and fiscal problems.

### **About the Youth Development Institute (YDI)**

As an organization, we are focused on bringing children and youth out of invisibility and on being a platform for the dissemination of statistics that allow us to create strategies, mobilize other organizations and communities to create public policies that create changes that benefit the development and conditions of this population. We recognize that to improve the conditions of children, we must work systemically with their families. We are adopting the two generations approach: working simultaneously on the needs of children and youth while providing tools and resources for parents.

Two Generations Approach includes the following strategies:

- Provide youth and parents multiple ways to acquire decent jobs, with benefits that support families and help them achieve economic stability.
- Ensure access to quality educational programs for early childhood and elementary enriching experiences.
- Equipping parents to support their children emotionally and socially to be the ones who advocate for quality essential services for children in the areas of health and education.

*The Youth Development Institute (YDI) is a nonprofit organization that researches, educates, identifies and creates opportunities for people who work with youth from a systemic perspective. The YDI wants to remove to children and young people from invisibility by presenting data, research and statistics about their situation. The long-term goal is to make the Puerto Rican society put the issue of children and youth development as one of its three priorities. The YDI program areas are mobilization, research, training and public policy. For more information, visit our website <http://www.juventudpr.org>, call 787-728-3939 or through social networking at <http://www.facebook.com/idj.pr> and [http://www.twitter.com/idj\\_pr](http://www.twitter.com/idj_pr) or using the "hashtag" **#JuventudPrimero***