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Job Training Beats Minimum Pay

EVIDENCE continues to mount that it is more important to train young people to work, produce and compete for better jobs than it is to legislate minimum pay scales and "made-work" employment.

Although many opinions have been stated about effects of minimum wage rates during the 40 years we have had such laws, only in recent years have scientific studies been made.

A review of a number of studies was published recently in the American Enterprise Institute Journal on Government and Society. It was written by Elvin Welch, professor of economics at the University of California, Los Angeles, who participated in some of the research.

Minimum wages neither create jobs nor ensure employment. The law merely says that if employment occurs minimum rates must be paid. Some studies indicate that minimum rates actually reduce employment opportunities for those who need them most.

Welch notes that when Congress passed the Fair Labor Standards

Acts of 1938, it provided for a national minimum wage rate of 25 cents an hour and applied to about 43 percent of all employees in private nonagricultural work.

Coverage of workers has approximately doubled, the wage minimum now is \$2.90 an hour and further increases are in the law.

Workers are of varying productivity, Welch observes, so wages also vary. "Within the low productivity group, the minimum will function much like a tax, from the poor to the poor, but winners will be those who in any case would have fared best," he says.

"The main point is that minimum wages reduce employment of low wage workers," Welch adds, attributing reductions to reactions of consumers to higher prices resulting from higher costs of employers, and to efforts of firms to substitute automation and higher-wage, more productive labor as means of avoiding cost increases.

However, the problem may be tackled, it seems to result in elimination of jobs for those who would

otherwise earn less than the minimum, Welch concludes.

As coverage has expanded, the amount of available teenage employment has shrunk, and each step in the process has resulted in fewer uncovered jobs for teenagers.

Just a few days ago, the General Accounting Office (GAO) told a congressional committee that a multi-million dollar "made-work" program provided little or no work for teenagers involved. It did little more than pay them for playing.

Wage and price regulations do not produce public benefits as well as they produce more regulations. The obvious solution is to turn back toward the competitive free enterprise system.

Lowest paid workers are not helped much by guaranteed wage rates if they cannot find work they can do. They and the public would benefit much more if they were taught productive trades and then enabled to sell their services for whatever they might be worth in the current job market.