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Business Prof Harvey: Unemployment Higher With Minimum Wage

Tuesday, 25 Feb 2014 06:27 PM

By Lisa Barron

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As the minimum wage debate continues to divide lawmakers on Capitol Hill, Canadian economist and Duke University professor Campbell Harvey says data show the unemployment rate is lower in European countries that do not have a minimum wage.

"This is very interesting data, because within the European Union some countries have minimum wages and some don't," he says.

"So, we've got this long sample and we can actually look at the difference between the unemployment rate in the countries that have different types of benefits or minimum wage than others, and if you look at that difference, currently the countries that have the minimum wage, their unemployment is 3 percent higher than the countries that don't," he told Newsmax TV's John Bachman on "America's Forum."

"If you drill into the very vulnerable group of younger people, then the difference is even more dramatic, because in the countries that have the minimum wage in Europe, the youth unemployment rate is 7 percent higher than it is with the countries without," he said Tuesday.

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Harvey, the J. Paul Sticht Professor of International Business at Duke University's Fuqua School of Business, continued, "So, if we're going to mess with the minimum wage, the evidence is very clear. So it's unambiguous evidence that as you raise that minimum wage, then unemployment goes up and it particularly damages the prospects for younger people, and I'm not sure that's a tradeoff that we actually want," he said.

As for figures suggesting the unemployment rate would be half a percent lower if there were no extended unemployment benefits, Harvey said that at the height of the great recession it would have been even lower.

"If you pay people not to work, they won't work. There is logic to some unemployment benefits because it helps people kind of match their productivity with a good job. But, after a while, it's a disincentive to find a job, and the longer you're out of work, you kind of lose your skills," he argued.

"We would be much better served to have the longer-term benefits tied in a mandatory way to some sort of retraining where you actually have to do something, you actually have to build your own human capital so you can actually go into the workforce and get at least the job of the skill that you had before."

Asked whether there is anything that can be done to provide incentives such as tax credits for job training programs, Harvey responded, "Well, anytime you start trying to legislate anything like this, you're going to have a problem."

"I would much prefer having a very simple mechanism whereby you can get the extended benefits if you show up at your local community college or your local university and take a course and, frankly, any type of enhancement of the human capital through any type of education's better than not," Campbell said.

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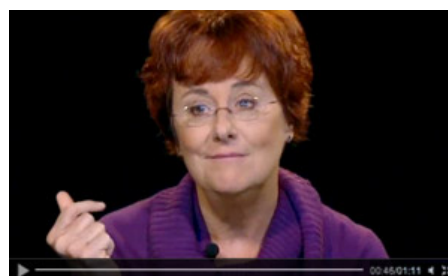
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