Minimum-wage policy implications in higher education

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Motivation

- In North America, 50% of minimum-wage workers are between ages 17-29.
- Within this group, half are students.

However...

- Most studies are silent on whether minimum-wage policies affect higher education.

Existing literature

- Baker (2005) and Pacheco and Cruickshank (2007) study school enrollment (i.e. high school and post-secondary combined) of 15-24 year olds.
- Lee (2020) studies community-college enrollment.

We distinguish between university and community college, and study decisions beyond enrollment.

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<tr>
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<td>0.066*** (0.016)</td>
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<td>0.056*** (0.019)</td>
<td>-0.260 (0.203)</td>
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<tr>
<td>Elasticity</td>
<td>0.6</td>
<td>0.7</td>
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Our findings

A 10% increase in the minimum wage

- Increases community-college enrollment by 6%
- Reduces university enrollment by 5%

Why?

Community college:

- High minimum wages reduce dropouts and encourage mature students to return to community college after a job separation
- High minimum wages lead to fewer low socioeconomic-status (SES) students in university

University:

- Low minimum wages encourage students to return to university after a job separation
- Low minimum wages reduce dropouts from university

Data strengths:

- Panel data following students and workers
- Great variation in provincial minimum wages (136 changes in 19 years)

Canadian data

Education Data: Survey of Labour and Income Dynamics (1993-2011)
Minimum wage: Provincial real minimum wages (1993-2011)
Sample: Individuals aged 18-45 with at least a high school diploma or GED equivalent

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X = demographics, family income, family size, parental education
Z = tuition, de-trended GDP, PSE wage premium, % of individuals living in rural areas

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