

Are Low-educated Workers Disproportionately Affected by a Change in the Minimum Wage?

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Does a rise in the minimum wage prompt employers to hire a more-educated workforce?

Conventional wisdom says "yes"---a larger supply of workers affords employers an opportunity to pick the most-educated workers, who are often assumed to be the most productive. This paper argues that an increase in the minimum wage need not lead to more-educated workers displacing less-educated workers since higher education need not imply higher productivity in the minimum wage sector. In fact, the reverse may be true if being better educated is associated with a distaste for minimum wage work, and such distaste is associated with lower productivity in that work. I present an analytical model that shows that an increase in the minimum wage need not necessarily lead to a displacement of minimum wage workers. Additionally, I estimate the correlation between average productivity and preference for minimum wage jobs for males and females by education group.

My empirical results from the Survey of Income and Program Participation (SIPP) indicate that, for males, the conventional wisdom appears to hold---higher minimum wages are associated with a better-educated male workforce. For females, however, the conventional wisdom does not hold; there is little change in their educational mix. Further, low-educated females are more likely than high-educated females to move from unemployment to minimum wage jobs after a minimum wage increase---a result that runs directly counter to conventional wisdom.