Memorandum
To: House General, Housing & Military Affairs Committee
From: Michelle Fay, Executive Director
Date: April 24, 2019
Re: S.23 Minimum Wage

I conducted a quick literature review in response to Rep. Hango’s question about whether data exist on the impact of a minimum wage differential for student workers on high school completion rates. As I suspected, there is not good data on the situation in Vermont. The closest relevant research looks at whether increases to the minimum wage caused increased dropout rates. Rep. Hango’s experience in her local school seems to be supported, in that it seems unlikely that a student would cite wages as the primary reason they are discontinuing their education. However, research suggests that for some racial/ethnic/social groups, increased earnings could factor into the decision. And given that the difference between the effective student wage and the state minimum wage is much higher in VT than in most places, extends for a longer time, and will continue to grow until the Federal minimum wage is raised, I remain concerned that it could be a perverse incentive to leave high school early.

There are a number of “push” and “pull” factors that contribute to students’ decisions to leave high school prior to completion. Push factors include things like course graduation requirements, discipline policies, and compulsory schooling age laws. Pull factors have to do with socioeconomic conditions, and peer and family influence. Both push and pull factors operate within an individual student’s context; their self-esteem, orientation to academic success, etc.\(^1\)

One study in Maryland found that higher real minimum wages were associated with higher dropout rates for Hispanic students, but not other races/ethnicities, and hypothesized that behavioral choices may be affected by how different races and ethnicities approach cultural integration (for recent immigrants), family cohesiveness, the value of education, small business ownership, and whether youth foresee themselves working hourly vs. salaried employment in the long term.\(^2\)

Another relevant research finding from Canada suggests that moderate youth employment during high school is associated with higher graduation rates and better adult earnings than those who don’t work at all, but heavier work involvement is negatively associated with graduation rates. Devaluing youth labor during the school year means students will have to work about an hour and a half (at current minimum wage rates) to earn the same amount they earned in an hour during the summer.\(^3\)

Approaching the issue through an equity lens, I continue to believe that Vermont should be proactive in avoiding any unintended policy consequences that would nudge students from historically marginalized groups to leave high school early. While the research suggests that a small minimum wage differential alone would not compel students to exit prior to graduating, a $3+/hr increase could shift the balance in a student’s decision.

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