

# Minimum Wage and Community College Enrollment

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**Context:** Minimum wage policy is a point of contention among both the general public and academia. As a labor market policy affecting a large subset of the population, minimum wage is likely to affect an individual's incentive to obtain education. Previous work in economics have largely focused on minimum wage's role in the high school dropout decision, but it is possible that the minimum wage policy affects postsecondary enrollment as well. The behavior of individuals going into entry-level postsecondary institutions is especially important to understand today considering substantial benefits two-year college education can provide (Bailey and Belfield, 2011; Grosz, 2017) and a decreasing set of low-skill employment options due to replacement of these jobs by advances in technology (Frey and Osborne 2017; Lordan and Neumark, 2017).

**Objective:** The main focus of this paper is to test how a minimum wage increase affects community college enrollment.

**Research Design:** Quasi-experiment.

**Data Collection and Analysis:** The universe of school level observations are collected from Integrated Postsecondary Education Data System. Schools facing different minimum wages are matched by geographic distance to emulate an experiment in a labor market where some schools are affected by minimum wage increase while others are unaffected. Fixed effects are employed to control for time-varying unobservables uniformly affecting the two matched schools. This analytical method ensures unbiased estimation of the effect in presence of heterogeneity in enrollment patterns across labor markets.

**Findings:** An increase in minimum wage has a significant negative effect on community college enrollment. A 10 percent increase in minimum wage is associated with around 4 percent reduction in total enrollment and 5 percent reduction in part-time enrollment. The effect on full-time enrollment is negative but insignificant. The effect is heterogeneous based on previous college experience; although both first-time and continuing students become less likely to enroll when faced by higher minimum wages, the effect is more pronounced among first-time students.

**Conclusion:** This study demonstrates that community colleges facing a higher minimum wage lose enrollment relative to nearby community colleges with a lower minimum wage. The findings suggest that the effect is driven by part-time students who are less invested in education and, therefore, more likely to be enticed by higher wages among low-skill workers.

**References:**

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