

Dropouts Need Not Apply: Minimum Wages and Skill Upgrading

15 March 2018, 11:15-12:30, bld. 72, room 465

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Abstract: We explore whether minimum wage increases result in the substitution of low-skilled labor for slightly higher-skilled labor. Using statutory minimum wage increases from 2011-2016 and American Community Survey data, we show that workers employed in low-paying jobs are older and less likely to be a high school dropout, following a minimum wage hike. We then examine a dataset of job vacancy postings to better understand how firm behavior impacts these changes. We find that job ads in minimum wage occupations are more likely to require a high school diploma following a minimum wage hike, consistent with the evidence on employed workers. Within-firm estimates provide evidence that these effects are not due to changes in the nature of occupations.