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End the High-School Dropout Crisis:
Tie Minimum Wage to Graduation

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The 76% high-school graduation rate in the U.S. is below the 82% rate for OECD nations, and well below the 90% rate in Greece, Germany, Finland, Japan, Korea, Norway, and Ireland (OECD data, 2007; The Alliance for Excellent Education). The Alliance also estimates that, “Dropouts from the Class of 2008 alone will cost the nation more than \$319 billion in lost wages over the course of their lifetimes.”

“Two thousand high schools in the U.S. produce more than half of all dropouts and a recent study suggests that in the 50 largest cities, only 53% of students graduate on time,” said the House Education and Labor Committee

in its press release titled, “High School Dropout Crisis Threatens U.S. Economic Growth and Competitiveness, witnesses tell house panel” (May 12, 2009). Further, the release notes, “Nationwide 7,000 students drop out of high school each day.”

The high-school graduation rate in the U.S., when 55- to 64-year olds were in high school, was better than all OECD countries. The graduation rate in the U.S. has deteriorated over the last several decades moving South Korea to the top of the list, while the U.S. has fallen behind 10 other nations in high-school graduation rate (Alliance for Excellent Education, OECD data, 2006). *We have two crises; first, we have an unhealthy high-school dropout rate; second, we have no remedy to fix the problem after decades of fruitless attempts. We need new drastic measures.*

While some are resigned to accept that U.S. high-school dropout crisis is unsolvable, certain federal policies actually encourage dropouts, exasperate the problem, and hinder meaningful solutions to the problem. If nothing, we could at least fix the offending federal policies that contribute to the dropout crisis.

The 1996 amendments to the Fair Labor Standards Act (FLSA) allow employers to pay a youth minimum wage of not less than \$4.25 an hour to employees who are under 20 years of age during the first 90 consecutive calendar days after initial employment (Fact Sheet 32: USDOL). However, once students graduate or leave school for good, they must be paid \$7.25 per hour (effective July 24, 2009, the federal minimum wage is \$7.25—DOL, WHD, while California state minimum wage is \$8). An unintended consequence of this policy may be to encourage high school dropouts.

As someone who has taught, researched and published on competitive manufacturing for decades,¹ I can foresee worsening economic problems for the nation as a result of high and perhaps worsening dropout rates. The chair of the Committee on Education and Labor is quoted in the committee's press release as saying, "It's become increasingly clear that addressing this dropout crisis is one of the most important things we can do to turn our economy around and regain our competitive footing for good." But, sadly, I see no action whatsoever to address the problem other than same old tinkering of schools with no results.

¹ P. M. Swamidass (editor), *Innovations in Competitive Manufacturing*, New York: AMACOM (American Management Association), 2002; and P. M. Swamidass (editor), *Encyclopedia of Production and Manufacturing Management* (Boston: Kluwer Academic Publishers, 2000).

Solutions to the dropout problem will not succeed if they focus on incentivizing teachers, school administrators and parents because teachers have little influence over students who are potential dropouts, school administrators are no better, and finally, parents (many single parents) have no influence at all.

Instead, we should incentivize high school students to graduate by delaying the statutory minimum wage until high-school graduation. A revised *substandard* minimum wage for those without a valid high school degree should be far lower than the statutory minimum (say, \$3, or sufficiently low to serve as a motivator to keep teens in school). High school dropouts without a GED should not be eligible for the full statutory minimum wage until much later, say at age 25 (or sufficiently high), when dropouts automatically become eligible for the statutory minimum wage without a high school diploma or GED. The threat of a *substandard* minimum wage for dropouts lingering on until age 25 should motivate teens to graduate, or seek a GED as soon as possible.

The minimum-wage policy tied to a diploma would transfer to the student the primary responsibility to stay in school to earn a diploma. The responsibility of keeping unwilling students in school is now in the hands of impatient parents, teachers, and school administrators, who have collectively failed.

Swamidass: End the High-School Dropout Crisis: Tie Minimum Wage to Graduation

Tying the minimum wage to a diploma until the age of 25 (or some other high age) would be a drastic public policy measure. It has the potential to serve as a powerful monetary incentive to motivate potential dropouts to earn their high school diploma; it will do them a lot of good in the long run, and it will make the workforce more educated and the economy more competitive.

There may be a few unintended consequences of dropping the minimum wage for dropouts until the age of 25, none worse than the consequences of the continuing high dropout rate on our economy for years to come.

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