

# **\$15 Minimum Wage: Jobs for Canada's Youths at Risk**

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## **Overview of \$15 Minimum Wage in Canada**

The 'Fight for \$15' campaign started in the U.S. in 2012 but quickly picked up steam in Canada. In the U.S., 'Fight for \$15' proponents, representing mainly entry-level service industry workers, claim that unless governments increase the minimum wage rate to \$15 per hour, workers would not be able to feed their families, pay their bills or afford housing. Similar 'Fight for \$15' campaigns started appearing in many Canadian provinces, including British Columbia, Alberta, Ontario, and Nova Scotia. In support of a \$15 minimum wage, Premier Kathleen Wynne stated that raising the minimum wage "makes good economic sense" and could bring "substantial benefit to low-wage workers, their families and the economy as a whole."<sup>1</sup> This viewpoint is a common misconception. Increasing the minimum wage will not help improve the living conditions of workers, especially those in poverty. Numerous studies (see CFIB's 2011 report<sup>2</sup>) have shown that boosting the minimum wage is a blunt tool that increases the tax burden of low-income earners to the benefit of government. As more provinces consider making a move to a \$15 minimum wage, the impact on jobs, especially among youths should be weighed carefully.

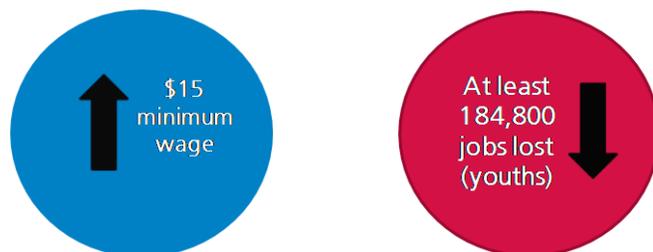
### *Governments' Move to a \$15 Minimum Wage*

In 2016, the Alberta<sup>3</sup> government was the first provincial government to announce an increase to the minimum wage rate to \$15 per hour by 2018. Ontario<sup>4</sup> followed suit with a plan to increase the minimum wage rate to \$15 per hour by 2019. Most recently, the Government of British Columbia<sup>5</sup> removed a deadline to implement a minimum wage increase to \$15 per hour by 2021 until a review can be completed.

### *Impact on Young Workers*

Over 60% of minimum wage earners in Canada are young people between the ages of 15 and 24.<sup>6</sup> Past studies<sup>7</sup> have indicated that young workers experience the largest negative employment impact as a result of minimum wage hikes. To make up for the increased wage costs, employers may choose to hire fewer young workers. Employers may even choose to hire more experienced adult workers over young workers for the same wage rate. CFIB estimates that increasing the minimum wage rate to \$15 per hour across all provinces would put at least 184,800 jobs at risk among young workers alone (see Figure 1). It is also important to note that potential job losses are not limited to young workers: they could also occur among workers aged 25 and over.

Figure 1:  
**Job losses from \$15 minimum wage, Canada  
 (Impact on youth employment only)**



Job losses among Canada's youth do not only include direct job cuts but also could include fewer jobs being created or hiring freezes over the short-term and long-term.

Table 1 shows job loss figures among young workers by province. Alberta's hike in the minimum wage rate from \$12.20 to \$15.00 per hour (23% increase) by 2018 would put 16,300 to 37,100 jobs among young workers at risk in Alberta. Ontario's proposed minimum wage increase from \$11.40 to \$15.00 per hour (32% increase) by 2019 would result in job losses among young workers between 68,100 to 155,900. British Columbia's proposed increase to the minimum wage rate by 2021 from \$10.85 to \$15.00 per hour (38% increase) would put 29,600 to 67,700 jobs among young workers at risk.

Job losses for young workers especially among those that rely on their jobs to earn a living are detrimental to the economy. Any changes to minimum wage policy must be considered carefully especially when governments are contemplating large minimum wage increases over a short period of time. All governments should explore alternative solutions before further increasing the minimum wage. Governments with current plans to introduce a \$15 minimum wage should also put these plans on hold until an economic impact analysis has been conducted, including the impact on jobs.

Table 1:  
**Job losses from \$15 minimum wage, by province (Impact on youth employment only)**

	<i>Lower Bound</i>	<i>Upper Bound</i>
British Columbia	29,600	67,700
Alberta	16,300	37,100
Saskatchewan	7,500	17,000
Manitoba	8,100	18,300
Ontario	68,100	155,900
Quebec	42,500	97,500
New Brunswick	3,900	8,800
Nova Scotia	5,300	12,000
Prince Edward Island	800	1,900
Newfoundland and Labrador	2,700	6,200
<b>Canada</b>	<b>184,800</b>	<b>422,400</b>

*Illustration of impact on youth employment only. CFIB analysis on 2016 Labour Force Survey data. Assumptions are applied on youth workers aged 15 to 24 employed full and part-time. Every 10% increase in the minimum wage is associated with a 3% to 6% reduction in employment for workers aged 15 to 19. Every 10% increase in the minimum wage is associated with a 2% to 5% reduction in employment for workers aged 20 to 24. It is assumed that the minimum wage rate in each province increases to \$15 per hour from current rates (as of July 1, 2017).*

## Methodology

Table 1 provides an illustration of the impact on young workers. These job loss figures assume that all provinces implement a \$15 minimum wage. Every 10% increase in the minimum wage is associated with a 3% to 6% reduction in employment for workers aged 15 to 19. Every 10% increase in the minimum wage is associated with a 2% to 5% reduction in employment for workers aged 20 to 24. It is assumed that the minimum wage rate in each province increases to \$15 per hour from current rates (as of July 1, 2017). Territories were excluded due to lack of data availability. Lower bound calculations illustrate the estimated minimum employment effect, while upper bound figures represent the estimated maximum impact. For past analysis on total employment, see CFIB's Minimum Wage: Reframing the Debate at <http://www.cfib-fcei.ca/english/article/2464-minimum-wage-reframing-the-debate.html>.

This snapshot provides an illustration of the potential job impact if every province increased current minimum wage rates to \$15 per hour immediately. The job impact could be immediate or over a number of years. The calculations are meant to be ballpark estimates and should not be directly compared to actual job loss numbers (Statistics Canada). Job losses examined in this snapshot could also include hiring freezes or jobs that are never created as a result of increasing the minimum wage to \$15 per hour.

<sup>1</sup> *The Toronto Star*, 2017. "Minimum wage hike won't bring 'doom and gloom,' economists say.", July 4, 2017. <https://www.thestar.com/news/gta/2017/07/04/minimum-wage-hike-wont-bring-doom-and-gloom-economists-say.html>. Accessed August 23, 2017.

<sup>2</sup> Canadian Federation of Independent Business. 2011. Minimum Wage: Reframing the Debate. <http://www.cfib-fcei.ca/english/article/2464-minimum-wage-reframing-the-debate.html>. Accessed August 23, 2017.

<sup>3</sup> Alberta was the first province that announced plans to raise the minimum wage to \$15.00 per hour by 2018. The minimum wage rate increased from \$11.20 per hour to \$12.20 per hour in 2016 and is scheduled to increase to \$13.60 per hour on October 1, 2017. The minimum wage rate will go up to \$15.00 per hour on October 1, 2018.

<sup>4</sup> Ontario proposed the largest increase to the minimum wage in the province's history. It first announced an increase to the minimum wage from \$11.40 per hour in 2016 to \$15.00 per hour by 2019. The minimum wage rate is scheduled to increase from \$11.40 per hour to \$11.60 per hour on October 1, 2017. On January 1, 2018, the minimum wage rate will increase to \$14.00 per hour. On January 1, 2019, the minimum wage rate will increase to \$15.00 per hour.

<sup>5</sup> On September 15, 2017, British Columbia will see an increase to the minimum wage from \$10.85 per hour to \$11.35 per hour.

<sup>6</sup> Statistics Canada. 2014. The ups and downs of minimum wage, July 2014. <http://www.statcan.gc.ca/pub/75-006-x/2014001/article/14035-eng.htm>. Accessed August 7, 2017.

<sup>7</sup> Neumark and Wascher (2007) performed a comprehensive analysis of past research examining the impact of minimum wage increases on employment.

Most studies found that increases in the minimum wage led to significant decreases in employment (Sabia, 2006; Campolieti, 2005a, 2005b, 2006; Yuen, 2003; Keil et al., 2001; Neumark and Wascher, 2000; Baker et al., 1999).

Godin and Veldhuis (2009) calculated the direct and indirect employment effect of minimum wage increases on teens and young workers in British Columbia. The authors estimated that a 25 per cent minimum wage increase resulted in a loss of 26,100 to 52,200 jobs among all teen and youth workers in British Columbia.

A 2017 study by the University of Washington/National Bureau of Economic Research showed that low-wage jobs in the City of Seattle declined by 6.8% after a minimum wage increase in 2016 (from \$11 USD to \$13 USD).

CFIB's current analysis on young workers is based on the general Canadian finding (work by Morley Gunderson at <http://www.fin.gov.on.ca/en/publications/2007/Gunderson/>) that a 10% minimum increase reduces youth employment by 3% to 6% for teens and by 2% to 5% for young workers aged 20 to 24.