
Debunking Minimum Wage Myths

Queenie Wong, Senior Research Analyst

Myth: Minimum wage increases create jobs.

Fact: Minimum wage increases kill jobs.

The economic impacts of minimum wage increases are debatable. Numerous studies in Canada and other countries have been conducted to assess the degree to which jobs are impacted by government mandated minimum wage increases. Most studies indicate job losses will occur as a result of minimum wage increases especially among young workers, and those people working in retail and hospitality. Large unscheduled minimum wage increases have an even more adverse impact. Minimum wage increases reduce labour demand because higher labour costs can lead to actual job cuts. Employers may also change their hiring plans, decide to hire fewer workers than planned, or choose to freeze hiring altogether. Some employers may resort to reducing employee benefits, work hours, and training to alleviate costs. Businesses may also feel the pressure to increase prices and reduce business investment.

Job Losses

CFIB first estimated the impact of minimum wage increases on jobs in 2011. Using findings from a number of academic studies, lower and upper bound job loss estimates were produced for Canada and all provinces. Table 1 shows updated job loss figures based on 2014 employment data.

If the minimum wage increased by 10 per cent across all provinces, Canada would risk losing 95,100 to 326,400 jobs (see Table 1). These are jobs that would have never been created as a result of the increase in payroll cost on employers or direct job cuts.

In the case of Alberta's massive hike in the minimum wage rate from \$10.20 to \$15.00 (47 per cent increase) by 2018, this would put 51,700 to 200,690 jobs at risk in Alberta.

Table 1:

Job losses from 10% minimum wage increase

	<i>Lower Bound</i>	<i>Upper Bound</i>
British Columbia	10,200	41,600
Alberta	11,000	42,700
Saskatchewan	2,200	10,500
Manitoba	2,800	11,800
Ontario	31,100	125,100
Quebec	19,500	74,800
New Brunswick	1,400	6,300
Nova Scotia	1,800	8,000
Prince Edward Island	200	1,300
Newfoundland and Labrador	1,100	4,300
Canada	95,100	326,400

CFIB analysis on 2014 Labour Force Survey data (Assumptions applied on total employed full and part-time; 15-24 years old, 25-54 years old, 55 years and older). See CFIB's Minimum Wage: Reframing the Debate for similar methodology. <http://www.cfib-fcei.ca/english/article/2464-minimum-wage-reframing-the-debate.html>

Methodology

The employment impact is calculated based on a one-time, 10 per cent increase in the minimum wage rate across all provinces and workers, using lower and upper bounds. Territories were excluded due to data availability. Lower bound calculations illustrate the estimated minimum employment effect, while upper bound figures represent the estimated maximum impact. Although the largest negative employment impact is on youth workers (aged 15-24), the impact on adults and older workers is also considered.

Using lower and upper bound job loss estimates produces a conservative, yet reasonable range of the net employment effects. Although teen and youth workers are more sensitive to changes in the minimum wage, the largest number of job losses arises in the 25-54 age category, since the negative employment impact applies to the bulk of the working population. Employment gains from older workers are seen to be offset by losses in the youth and middle-age working population.