

Measuring the Effects of Increased Minimum Wages in Alberta

Issue

In recent years, discussions around the minimum wage, and its increase have been at the center of Canadian current affairs. As anticipated, the Government of Alberta announced a new \$13.00 minimum wage for youth as of June 26, 2019. Of particular importance, these new rules consider a “youth differential” or a lower wage for youth workers. The rationale behind cutting the minimum wage for youth workers is that it should help open up more opportunities for young people.

Background

On June 26, 2019 with the release of the Employment Standards (Minimum Wage) Amendment Regulation, the Government of Alberta introduced a new \$13 per hour “job creation wage” for students.

The new piece of legislation applies to youth working no more than 28 per week when school is in session. It was announced that employers will be able to lower the wages of students currently making at least \$15/hour—even if they were hired prior to the regulation taking effect—unless the student is in a collective agreement with a fixed wage. In these cases, the wage in the collective agreement still applies. If employers choose to lower the wage of a student employee, they must notify the employee in advance of the first pay period when the lower wage would take effect.

Students who exceed 28 hours in one week will still be paid the general minimum wage of \$15 per hour as this rule only applies while they are attending school. During breaks in the educational year – summer vacation, Christmas/winter holiday, and spring break – students are to be paid \$13 per hour for all hours worked.

The youth minimum wage only applies to students enrolled in an educational institution and does not apply to youth who are out of school.

This idea of a “youth differential” or a lower wage for student workers is one that has been raised often by employers. This concept was once a common component of the minimum wage rates in Canada and Alberta had a lower rate for workers under 18, until 1998, when the legislation was repealed. Over 60 per cent of current minimum wage workers in Canada are young people between the ages of 15 and 24 and past research has shown that this group is the most vulnerable in terms of reduced employment opportunities resulting from an elevated minimum wage.; as wage costs increase, evidence indicates employers will often choose to hire fewer younger workers or rely more heavily on more experienced workers.

Findings from The Alberta Chamber of Commerce Alberta Perspectives survey in July of 2019 echo this. The survey found that one-third of businesses surveyed said the previous increases in minimum wage had hurt their profitability and a quarter (25%) indicated their growth. One quarter also noted that they had to reduce staff hours and 16% said they had to lay off staff.

This data further reinforces findings by the Canadian Federation of Independent Business that increases to minimum wage forces (business owners) to look for ways to absorb the cost by reducing hours, scaling back training opportunities and cutting jobs. As well, empirical studies, such as that by Godin and Veldhuis (2009) have long found that the even a 10% minimum wage increase will reduce employment from 3-6%.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Continue to monitor Alberta minimum wage; and
2. Collaborate with business to conduct and publicly release the results of a thorough employment and economic impact analysis for any future proposed minimum wage increases.