

MINIMUM WAGE HIKES WILL HURT YOUNG PEOPLE, IMMIGRANTS

by Charles Lammam, Hugh MacIntyre, and David Hunt

With many of Canada's largest provinces (Ontario, Alberta, British Columbia) either committing to or considering a minimum wage of \$15 per hour, many analysts—including us—note that this policy will hurt many vulnerable workers by reducing job opportunities.

But in an open letter to Ontario Premier Kathleen Wynne, 53 “economic experts” dismissed this concern as “fear-mongering” and “out of line with the latest economic research.”

That is simply false. The academic evidence in Canada, including the latest research, consistently finds that raising the minimum wage leads to lower employment for vulnerable, low-skilled workers (often young people ages 15 to 24).

Consider the very latest research published this month. In a

comprehensive academic study, University of Waterloo professors Kate Rybczynski and Anindya Sen measure the employment effects of 185 changes to the minimum wage in Canada's 10 provinces from 1981 to 2011. The study controls for a host of factors that could affect employment including changing labour market conditions and the economic business cycle.

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Perhaps unsurprising to those familiar with the existing body of Canadian research, the study finds minimum wage hikes reduce job prospects for vulnerable workers. Specifically, it finds a 10 percent increase in the minimum wage leads to up to a 4 percent drop in teenage



employment. For perspective, the Ontario government is proposing a 32 percent hike in the minimum wage over the next 18 months.

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The effect on teen employment is entirely predictable. Despite what the “economic experts” of the open letter claim, the 20 Canadian studies


published in academic journals dating back to 1979 have produced a clear consensus—minimum wage hikes reduce employment opportunities for young workers. Not one of these studies contradicts this conclusion.

That shouldn’t surprise anyone familiar with basic economics. Just as consumers tend to buy less if the price of a product increases, employers will hire fewer workers and/or reduce labour costs if government regulations make it more expensive to employ workers without corresponding improvements to

workplace productivity. It's the least-skilled workers—often those aged 15 to 24—who lose out on employment opportunities because they tend to be the least productive due to their lack of experience and skills.

Canadian evidence clearly shows that hikes to the minimum wage reduce employment opportunities for low-skilled workers

A second and novel finding of the study by the University of Waterloo professors is that immigrants aged 25 to 54 are also adversely affected by minimum wage hikes. As a group, recent immigrants can be vulnerable as they attempt to integrate into the Canadian labour market with unrecognized education credentials, struggles with language differences, and other problems. According to the study, a growing share of minimum wage workers are recent immigrants (arriving in the last 10 years), and the group comprised 19 percent of Ontario minimum wage workers in 2011.

Far from fear-mongering, the Canadian evidence clearly shows that hikes to the minimum wage reduce employment opportunities for low-skilled workers. Saying otherwise does a disservice to the public debate and those Canadians adversely affected by the policy. 



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