



Labour

Federal Minimum Wage

Issue Paper

This paper is one of a series of papers prepared by the Secretariat to the Expert Panel on Modern Federal Labour Standards as background information to stimulate the Panel's discussions. The papers do not necessarily reflect the views of the Government of Canada.

January 2019

FEDERAL MINIMUM WAGE

ISSUE PAPER

ISSUE

- For more than 20 years, the federal minimum wage has been pegged in the *Canada Labour Code* to the minimum wage rate in the province or territory in which the employee is usually employed. Should this approach be maintained or should a freestanding federal minimum wage be reinstated? If a freestanding rate were to be adopted, how should it be set, at what level and who should be entitled to it?

BACKGROUND

- The minimum wage is the lowest wage rate that an employer can legally pay its employees and is a core labour standard.
- The underlying policy intent for establishing minimum wages varies. Governments have historically put them in place with a view to protecting non-unionized workers, reducing the number of low-paying jobs, alleviating poverty, creating incentives to work, addressing inequality and stimulating growth through increased demand.
- Minimum wages are also set and adjusted in different ways: in legislation or regulations; by the government-of-the-day or an independent board; and based on inflation, average wage rates or other economic factors.
- The first minimum wage rates were established in Canada in the early 20th century and applied primarily to women and children. Manitoba and British Columbia introduced minimum wage legislation in 1918 and Ontario, Quebec, Nova Scotia and Saskatchewan followed suit in 1920. Prince Edward Island was the last province to pass minimum wage legislation covering both men and women, which it did in 1960.
- The federal minimum wage is the minimum wage applicable to workers covered by Part III (Labour Standards) of the [Canada Labour Code](#) (the Code). This includes employees in federally regulated industries, federal Crown corporations and certain Indigenous government activities on First Nations reserves.

Pre-1996 approach

- From 1965, when Part III of the Code came into force, until 1970, the federal minimum wage was specified in the Code and, as of 1971, the Governor in Council had the authority to adjust the rate through regulation.

- The federal minimum wage was initially set at \$1.25 and rose to \$4.00 per hour by 1986, at which point it stayed unchanged for the next decade or so. By the mid-1990s, the federal rate had fallen significantly behind provincial and territorial minimum wage rates, which averaged about \$5.95 per hour.

Current approach

- The Code was amended in 1996 to address this situation. In particular, changes were made so that the federal minimum wage would adjust automatically with changes in provincial and territorial rates, thereby ensuring that the federal rate would maintain its relevance over time in different economic and social conditions across the country.
- The current approach, found in section 178 of Part III of the Code, has two key elements:
 - First, the federal minimum wage is set as the “minimum hourly rate fixed, from time to time, by or under an Act of the legislature of the province where the employee is usually employed and that is generally applicable regardless of occupation, status or work experience”¹.
 - Second, the Governor in Council has the authority, by order, to: a) replace the minimum hourly rate that has been fixed with respect to employment in a province with another rate; or b) fix a minimum hourly rate with respect to employment in a province if no such minimum hourly rate has been fixed. Neither of these two authorities has ever been used.
- In addition, section 178 provides for situations where employees are paid on a basis other than an hourly rate. In particular, such employees must receive at least the equivalent of the minimum wage. The Minister is authorized, by order, to fix “a standard basis of work to which a minimum wage on a basis other than time may be applied”, as well as “a minimum rate of wage that in the opinion of the Minister is the equivalent of the minimum [wage]”.

Recent developments

- There have been calls in recent years for the federal government to re-establish a uniform, freestanding federal minimum wage. Some have argued that this is a matter of decency (e.g. [Arthurs, 2006](#)) and others that it is a matter of showing federal leadership (e.g. New Democratic Party [motion](#) tabled in the House of Commons in 2014).

¹ Under the *Interpretation Act* (subs. 35(1)), “province” includes the territories, i.e. Yukon, Northwest Territories and Nunavut.

- Provincial and territorial minimum wages have continued to steadily increase. As of January 1, 2019, they averaged \$12.23 per hour, with a low of \$11.00 per hour in Saskatchewan and a high of \$14.00 per hour in Ontario. Most provinces and territories now also review and/or set their rates on a regular basis and most rates are indexed to inflation.
- In addition, several provinces have recently implemented significant increases in their rates, or have announced that they will do so. Ontario raised its minimum wage from \$11.60 to \$14.00 per hour on January 1, 2018. In Alberta, the minimum wage rate increased from \$11.60 to \$15.00 per hour on October 1, 2018 and, in British Columbia, the provincial rate increased from \$11.35 to \$12.65 on June 1, 2018 and will increase to \$14.60 on June 1, 2019 and \$15.20 on June 1, 2021.
- More generally, high-profile campaigns to raise minimum wage rates led by labour and anti-poverty organizations have gained momentum across North America in recent years (e.g. Fight for \$15 and Fairness).
- In addition, new research methodologies and findings have helped to both spur renewed interest in the consequences of minimum wages and inform the introduction of minimum wage-related reforms. The latter include city-level minimum wages in Seattle, Chicago, New York City and Washington, D.C., as well as the introduction of a national minimum wage in Germany in 2015 and a national living wage in the United Kingdom in 2016.

MINIMUM WAGE IN THE FEDERALLY REGULATED PRIVATE SECTOR

- This section provides an analysis of minimum wage and low-wage workers in the federally regulated private sector (FRPS), as well as violations of the Code's minimum wage requirements.

Analysis of low-wage workers

- Based on the 2015 Federal Jurisdiction Workplace Survey (FJWS) and the Labour Force Survey (LFS), the Labour Program estimates that there were 42,000 employees in the FRPS earning the minimum wage in the province in which they worked in 2017, amounting to 5% of all FRPS workers. This compares to 7% of employees earning the minimum wage in Canada as a whole (excluding the territories, for which data are not available) in 2017.²

² This amounts to 1.018 million workers in Canada (excluding the territories). It is worth noting that [Morissette and Dionne-Simard \(2018\)](#) estimated a much higher 1.57 million workers in the first quarter of 2018, up from 1.00 million in the first quarter of 2017. The difference can be attributed to the minimum wage increases by many provinces in late 2017 and the large minimum wage increase in Ontario in January 2018. The Labour Program was unable to gain access to the 2018 Labour Force Survey micro-data, so the analysis was conducted for 2017.

- It is useful to consider those employees earning just above the current minimum wage who might be directly affected by the adoption of a uniform federal minimum wage. To do this, a wage threshold of \$15.00 per hour in 2017 was selected. The result is roughly 67,000 employees earning less than \$15.00 per hour in 2017, equivalent to 7% of FRPS employees. By contrast, 21% of all employees in Canada would be earning less than \$15 per hour. A far smaller share of FRPS employees would therefore be earning just above the minimum wage compared to employees in Canada as a whole.
- What follows is an analysis of the distribution of these two groups of employees—current minimum wage employees and those that would be earning less than \$15 per hour—by various characteristics, for the FRSP and for Canada as a whole. In the discussion below, the term “low-wage workers” covers both groups.³
- The provincial distribution of low-wage workers between the FRPS and Canada is roughly similar (Table 1). Approximately two-fifths of low-wage workers are in Ontario. About one-fifth to one-quarter are in Quebec.

Table 1: Distribution of low-wage workers by province in 2017

Province	Minimum Wage		< \$15/hr	
	FRPS	Canada	FRPS	Canada
Atlantic	6%	7%	10%	8%
Quebec	19%	23%	25%	23%
Ontario	44%	44%	39%	42%
Manitoba	5%	3%	4%	4%
Saskatchewan	2%	1%	2%	3%
Alberta	12%	12%	6%	8%
British Columbia	14%	10%	13%	12%
Overall	5%	7%	7.5%	21%

Source: 2017 Labour Force Survey

- Road transport has the greatest proportion of low-wage workers in the FRPS, at close to three in ten workers (Table 2). Less than 10% of these low-wage workers are in postal services and pipelines (with the vast majority in the former). This difference may be partially explained by the fact that collective agreement coverage in road transportation is slightly less than 20% and in postal services and pipelines it is almost 75% according to the 2015 FJWS.

³ The principal data source for the following portrait of low-wage FRPS workers is the 2017 LFS. While the methodology involves isolating 4-digit North American Industry Classification System (NAICS) industries where FRPS employees are predominant, the estimated distributions (i.e. in percentage terms) do not purely reflect a sample of FRPS employees because not all provincially regulated employees can be excluded from the sample. Consequently, the percentage distributions should be understood as approximate and small differences discounted (e.g. < 5 percentage points).

Table 2: Distribution of low-wage workers by sector, 2017⁴

Sector	Minimum Wage	< \$15/hr
Air, Rail, and Maritime Transport	26%	22%
Road Transport	31%	28%
Postal Services & Pipeline	5%	8%
Banks	21%	25%
Feed, Flour, Seed & Grain; Telecom & Broadcasting; Miscellaneous	18%	16%

Source: 2017 Labour Force Survey

- Large (500+ employees) FRPS firms employ the greatest proportion of minimum wage employees, at just over one half of these employees, followed by small (<20 employees) employers at 22% (Table 3). Other low-wage workers (employees earning above the minimum wage but below \$15 per hour) are slightly more common in firms with 20 or more employees compared to those just earning the minimum wage.

Table 3: Distribution of low-wage workers by firm size, 2017

Firm Size	Minimum Wage		< \$15/hr	
	FRPS	Canada	FRPS	Canada
<20 Employees	22%	25%	16%	25%
20–99 Employees	16%	17%	17%	19%
100–500 Employees	11%	12%	12%	13%
500+ Employees	51%	46%	55%	43%

Source: 2017 Labour Force Survey

- Although 51% of minimum wage employees are employed in FRPS firms with 500 or more employees, these employees make up only 3% of total employees in those firms (Table 4). Similarly, 55% of employees earning under \$15 per hour worked in firms with 500 or more employees, but these employees only make up 5% of employees in those firms.

Table 4: Proportion of low-wage workers by firm size, 2017

Firm Size	Minimum Wage		< \$15/hr	
	FRPS	Canada	FRPS	Canada
<20 Employees	17%	9%	20%	26%
20–99 Employees	11%	7%	18%	22%
100–500 Employees	5%	5%	8%	16%
500+	3%	6%	5%	16%

Source: 2017 Labour Force Survey

⁴ Some industries have been collapsed to conform to Statistics Canada confidentiality requirements.

- The fact that roughly 55% of low-wage FRSP workers are men reflects the greater concentration of men in the FRPS as a whole (61%) (Table 5). FRPS employees aged 25 to 54 make up 51% of minimum wage employees, in stark contrast with Canada overall where low wage workers are far more concentrated in the under-25 age category at 58%. About one-third of minimum wage workers in the FRPS and in Canada overall are immigrants.

Table 5: Distribution of low-wage workers by gender, age and immigrant status, 2017

Personal Characteristic	Minimum Wage		< \$15/hr	
	FRPS	Canada	FRPS	Canada
Women	47%	59%	43%	58%
Men	53%	41%	57%	42%
<25 Years	24%	58%	27%	44%
25–54 Years	51%	30%	54%	41%
55+ Years	25%	12%	20%	15%
Canadian Born	64%	69%	67%	71%
Immigrants⁵	33%	30%	31%	25%
Immigrant in the last 5 years	1%	2%	5%	6%
Immigrants in the last 10 years	2%	5%	8%	11%
Other Non-Immigrants⁶	3%	1%	2%	4%

Source: 2015 Federal Jurisdiction Workplace Survey and 2017 Labour Force Survey

- The largest share of FRPS low-wage workers is made up of dual-earner families, approximately 45% to 50% of low-wage workers (Table 6). Single parent and single-earner families account for about 25% of low-wage workers in the FRPS.

Table 6: Distribution of low-wage workers by family classification, 2017

Family Classification	Minimum Wage		< \$15/hr	
	FRPS	Canada	FRPS	Canada
Unattached Individual	15%	12%	15%	15%
Dual-Earner Family	46%	47%	47%	47%
Single-Earner Family	19%	14%	16%	15%
Single Parent Family	7%	15%	8%	12%
Other Families, Including Non-Earning	13%	12%	14%	12%

Source: 2017 Labour Force Survey

- Just over 7 in 10 minimum wage employees in the FRPS work full-time (Table 7). Of the 25% to 30% of low-wage FRPS workers who are part-time, a minority (around

⁵ An immigrant is defined as a worker who has gained permanent residency, with years calculated from the date permanent residency commenced.

⁶ These workers have never had permanent residency but have work permits, for example temporary foreign workers.

30%) describe this work schedule as involuntary for economic reasons.⁷ Less than 2 in 10 minimum wage employees in the FRPS are employed on a temporary basis.

Table 7: Distribution of low-wage workers by employment and tenure status, 2017

Employment Status	Minimum Wage		< \$15/hr	
	FRPS	Canada	FRPS	Canada
Full-Time	71%	41%	74%	55%
Part-Time	29%	59%	26%	45%
Voluntary Part-Time	23%	48%	19%	34%
Involuntary Part-Time: Economic Reasons	6%	11%	7%	10%
Permanent	83%	72%	80%	77%
Temporary	17%	28%	20%	23%
Seasonal	5%	6%	4%	5%
Term and contract	5%	10%	9%	9%
Casual and other	7%	12%	7%	9%
<1 Year with Employer	24%	44%	30%	37%
1–5 Years with Employer	26%	40%	32%	41%
5–10 Years with Employer	23%	8%	17%	11%
10+ Years with Employer	27%	8%	21%	11%

Source: 2017 Labour Force Survey

- In the FRPS, about 17% of minimum wage employees say that they are covered by a collective bargaining agreement, compared to 10% of such employees in Canada as a whole (Table 8).
- About 11% of minimum wage employees in the FRPS reported working some unpaid overtime during the reference week, compared to 3% of such employees in Canada (Table 8). Minimum wage employees in the FRPS averaged 10.7 hours of unpaid overtime compared to all employees in Canada who averaged 9.0 hours.⁸

Table 8: Distribution of low-wage workers by union and unpaid overtime status, 2017

Union and Unpaid Over Time Status	Minimum Wage		< \$15/hr	
	FRPS	Canada	FRPS	Canada
Not Covered by a CBA	83%	90%	79%	88%
Covered by a CBA	17%	10%	21%	12%
No Unpaid Overtime	89%	97%	94%	97%
Worked Unpaid Overtime	11%	3%	6%	3%
Average hours of Unpaid Overtime	10.7	9.0	8.9	7.4

Source: 2017 Labour Force Survey

⁷ “Involuntary” refers to employees who would like to work full-time but could not find a full-time job whether they looked or not.

⁸ About 93% of employees who worked unpaid overtime in the FRPS are not covered by a collective bargaining agreement; in Canada, it is 79% of employees.

Violations of the Code's minimum wage provisions

- Under the Code, employees in the FRPS who believe they are not being paid the appropriate minimum wage are entitled to file a complaint with the Labour Program. Violations of the Code's minimum wage provisions may also be identified through Labour Program inspection activities.
- In general, in any given year the Labour Program receives a relatively small number of formal complaints, roughly half of which are determined to be founded. The total number of alleged violations (i.e. arising from complaints and inspections) can vary fairly significantly from year to year. In addition, the number of incidents of non-compliance is generally higher than average in industries such as trucking where wages are paid on a basis other than time (e.g. cents per kilometer, commission sales with or without a base rate or piecework).
- Based on internal administrative data, in the five-year period from 2013 to 2017⁹:
 - 345 enquiries related to minimum wage were reported as being received by Labour Program early resolution officers. Approximately 54% were assessed as not pertaining to the FRPS.
 - 46 allegations of a minimum wage violation were reported as being received from a complainant. Thirty-two related to the trucking sector, 5 to First Nations reserves and 4 to parts of the road transportation sector other than trucking.
 - 22 minimum wage violations were determined to be founded by the Labour Program, with 77% of these violations being in the trucking sector.

WHAT THE RESEARCH SAYS

- A 1991 conference at Cornell University is often seen as the launching pad for a new phase of research on minimum wages underpinned by new methodologies and theoretical frameworks, as well as interest in the impacts of policy changes. This section synthesizes some of the key themes and findings in the literature since the conference, with a focus on articles and studies published in the past 10 to 15 years.

Employment and hours of work

- There is an active debate among researchers about the employment effects of minimum wages and a growing literature, with new studies coming out every month.

⁹ This data comes from the Labour Program's LA2000 system. Certain limitations should be kept in mind. For example, a complaint may be miscoded or relate to minimum wage as well as other provisions of the Code (e.g. hours of work) and violations may be identified as a result of a complaint and/or an inspection.

- In 2014, [Belman and Wolfson](#) reviewed more than 200 scholarly articles and policy papers related to the minimum wage published since 2000 and presented the results in a seminal book “What Does the Minimum Wage Do?”. The authors found that few studies were “able to detect a substantially significant response of employment [to the minimum wage], measured as the number of jobs, the number of people working or the number of hours. Although this does not close the issue, the preponderance of evidence leans that way.” [Belman and Wolfson](#) also noted that, prior to 2014, most increases in the minimum wage that had been rigorously studied had not been especially large ones.
- In an analysis of studies of the employment impacts of the minimum wage, [Neumark \(2017\)](#), an American economist at the University of California, Irvine, concludes that there is “clear variation in the magnitude of estimated employment effects across studies, with the debate often being between an elasticity for low-skilled groups equal to (or indistinguishable from) zero, or an elasticity in the range of -0.1 to -0.2.¹⁰ However, there are larger negative estimates in the literature, and occasional large positive estimates.” [Neumark](#) focusses his analysis on the U.S. literature, which is by far the most extensive, partly owing to the ability of researchers to exploit variation in minimum wages across the United States. He also notes that the studies finding no impact tend to use a particular methodology (i.e. “close controls”) and there is an active debate about its advantages and disadvantages, with Neumark himself critical of the approach.
- In addition, [Neumark \(2017\)](#) indicates that teenagers are the most commonly studied group and that there tend to be greater challenges studying non-teenage low-wage workers.¹¹
- In a 2015 commentary, “[The case for increasing the minimum wage: What does the academic literature tell us?](#)”, a Canadian labour economist, David Green, emphasizes that “any sizeable employment effect estimate in the existing literature applies only to teenagers.” He goes on to say that a study he conducted with Pierre Brochu estimated that “the effect of a 10 per cent minimum wage increase for young adults age 20 to 24 is only a 0.5 per cent decline in their employment rate. And estimates for workers over the age of 25 imply essentially zero effects on employment.” However, [Green](#) also notes that, were B.C. to adopt a \$15 minimum wage (which at the time was \$10.25), zero effects for workers over the age of 25 cannot be assumed. He estimates that an increase from the then-current rate of \$10.25 to \$15 per hour would decrease the employment rate by slightly less than 1 percentage point.

¹⁰ An elasticity of -10% implies that a 10% increase in the minimum wage decreases teenage employment by 1%.

¹¹ Low-wage workers are a small fraction of non-teenage employees. Consequently, there is a need to select out persons having a wage from the population of interest to isolate the employment impacts on that population. However, by virtue of selecting out persons having a wage, workers not employed (i.e. without a wage) who might otherwise have been employed if not for the minimum wage increase are omitted from the sample, positively biasing the estimated employment impact.

- Four Canadian labour economists co-authored a June 2017 op-ed piece in The Globe and Mail on the proposed increase in Ontario's minimum wage from its then-current rate of \$11.40 to \$15 per hour in 2019. [Osberg, Riddell, Rozworski and Stanford](#) wrote that “many highly credible empirical studies have confirmed the basic findings: there is almost no employment impact from moderate increases in minimum wages. Substantial recent research in Canada, the United States and Britain also concludes that higher minimum wages succeed in lifting incomes for low-paid workers and reducing wage inequality.”
- A 2018 study by [Rybczynski and Sen](#), looking at Canadian data from 1981 to 2011, found that a 10% increase in the minimum wage is associated with a 1%-4% reduction in employment rates for both male and female teens. The University of Waterloo economists also found that an increase in the minimum wage is associated with lower employment of prime-aged immigrants.

Older workers

- A 2009 study by [Fang and Gunderson](#) found that employment among older workers (50 years of age and up) increased following a minimum wage increase. In the authors' interpretation, employers may tend to substitute older for younger workers with minimum wage increases, which is consistent with findings of decreases in young peoples' share of accessions (hiring). As [Neumark \(2017\)](#) has suggested, what may “partially account for variation in minimum wage effects across studies is labour-labour substitution—substitution from lower-skill to higher-skill workers when the minimum wage increases [...] There is some evidence of labour-labour substitution.”

Job stability

- Increases in the minimum wage have been found to increase job stability. [Brochu and Green \(2013\)](#), economists from the University of Ottawa and the University of British Columbia, respectively, concluded that when the minimum wage increases, workers of all ages are less likely to be laid off within the first year of a job. Firms, however, decrease their rate of hiring. It may therefore take longer for a worker to find a job after a minimum wage increase, but that job is more likely to be a stable one. Some authors have suggested a link between minimum wage increases and worker training; however, the empirical record is mixed at best with the only Canadian study to examine the issue ([Baker, 2005](#)) concluding that data quality was too poor to be definitive.

Wage inequality

- In addition to raising the wages of those previously earning a lower minimum wage, those earning a wage at or slightly above the new minimum wage prior to an increase have also been found to benefit from higher minimum wages. Employers

may pay a wage above the minimum wage in order to attract, retain and motivate these workers.

- [Neumark et al. \(2004\)](#) estimate that employees earning up to two times the previous minimum wage experience increases in their wages after an increase in the minimum wage, with the size of the ripple effect on wages decreasing gradually. For example, they estimate that a 1% increase in the minimum wage leads to a 0.41% increase in the wages of those earning between 1.1 and 1.2 times the previous minimum wage, while those earning between 1.2 and 1.3 times the minimum can expect a 0.36% increase. However, these estimates are averages and contingent on the level of the previous minimum wage and the size of the increase: if the starting minimum wage is already high to begin with (relative to the median wage), more limited ripple effects would be expected.
- Correspondingly, increases in the minimum wage reduce inequality as individuals at the bottom of the wage distribution receive the new higher minimum wage and workers at and above the median wage are unaffected by the increase. A number of studies support the view that the decline in the real value of the minimum wage in the U.S. from the early 1970s into the 2000s was an important factor in the growth of wage inequality ([Lee, 1999](#); [Card & DiNardo, 2002](#); [Autor, Katz & Kearney, 2008](#)). Research from Canada also shows important effects on wage inequality. For example, [Fortin and Lemieux \(2016\)](#) found that increases in the minimum wage were a major explanatory factor in the modest decrease in wage inequality after the mid-2000s, where wages at the lower end of the income distribution grew more than those in the middle.
- Increases in the minimum wage would also reduce the gender wage gap, since women are disproportionately represented among low-wage workers. For example, women are 39% of FRPS workers, but about 47% of minimum wage workers.

Poverty

- A common conclusion in the very limited Canadian and U.S. literature on the impact on poverty is that minimum wage increases have essentially zero impact on poverty rates (e.g. [Compolieti et al., 2012](#)). Part of the explanation for this is that many households are poor, often due to a lack of paid work. Any increase in the minimum wage will therefore not bring much additional income to these households and may reduce it if there are negative impacts on hours of work. [Green \(2015\)](#), however, points out that the minimum wage increases examined in this literature may have been too small to make a noticeable difference in poverty rates.
- Additionally, [Mascella et al. \(2009\)](#) note that many minimum wage earners do not live in poor households. For example, they may be teens living with their parents, or minimum wage earners in dual-income households.

Transitioning out of minimum wage employment

- U.S. research shows that while most workers do not spend long periods working at minimum wage, a substantial share of workers do, indicating they are not able to transition to better-paying work. A 2001 study by [Carrington and Fallick](#) found that among the workforce having graduated from school, 8% spent one-half or more of their first 10 years after graduation working within \$1 of the minimum wage. About 20% spent one-quarter or more of their first 10 years at the minimum wage. Because the study looked at minimum wage workers in their early careers, the population was composed mainly of young people. The researchers also found that women and African Americans spent longer periods at or near the minimum wage. There is unfortunately no Canadian research on the length of time spent working at minimum wage.

School enrollment for youth

- As part of their 2014 review of the minimum wage literature, [Belman and Wolfson](#) considered the research on the relationship between the minimum wage and schooling. They concluded that, due to methodological problems, the effect of the minimum wage on enrollment is not certain.

Business profitability

- Based on their 2014 review, [Belman and Wolfson](#) concluded that “there is good evidence that the minimum wage reduces profits, certainly in the United Kingdom, but it does not show up where one would expect, in changes in exit rates (i.e. business closure) or firms’ share prices.” However, a recent study (Luca and Luca, 2018), using data from the digital platform Yelp, did find that minimum wage increases raised the likelihood of firm exit in the U.S. restaurant industry: a one dollar increase in the minimum wage led to a 14 percent increase in the likelihood of exit for a 3.5-star restaurant (the median rating on Yelp), but had no discernible impact for a 5-star restaurant (on a 1 to 5 star scale).

Aggregate unemployment and economic growth

- The unemployment rate could increase following an increase in the minimum wage either because of a reduction in employment or because more people are participating in the labour force, attracted by the possibility of a higher wage. It is difficult to disentangle the two effects, but research by Flinn (2006) provides evidence for simultaneous increases to both the unemployment rate and the labour force participation rate as a result of increases to the minimum wage.
- An increase in the federal minimum wage could potentially have positive effects on economic growth (through an increase in spending among workers who remain employed with higher wages) and negative effects (for example, through reduced

employment as a result of the increase).¹² The net effect, whether positive or negative, would be very small.¹³

Federally regulated private sector

- There is no available research that specifically examines increases in the minimum wage in the FRPS.
- However, the following observations can be made:
 - As noted in the statistical profile (see above), there are relatively fewer low-wage workers in the FRPS compared to Canada as a whole, particularly those earning just above the minimum wage. A smaller share of low-wage workers mitigates both the number of workers benefiting from an increase in the minimum wage and the number potentially negatively impacted by any reduction in employment.
 - Low-wage workers in the FRPS are only a little more concentrated in larger employers compared to Canada as a whole. This is notable because larger employers may have a greater ability to absorb minimum wage increases without negative employment/hours of work response. There appears to be no research on how employment/hours response differs by firm size.
 - Although there does not appear to be any research on this issue, it is quite likely that the adverse employment/hours response may be more negative in places of higher unemployment. The adverse impact would be mitigated as firms increasingly face labour shortages. A uniform federal minimum wage would have no sensitivity to differences in labour market tightness across provincial/territorial labour markets.

STAKEHOLDER PERSPECTIVES

- During the [Labour Program's 2017-18 consultations on modernizing federal labour standards](#), participants expressed mixed views on whether a federal minimum wage should be reinstated and, if it should, how it should be set.
- At the roundtables hosted by the Minister of Employment, Workforce Development and Labour, unions and labour groups indicated their support for a federal minimum

¹² See also [Burleton et al. \(2017\)](#).

¹³ For example, preliminary internal estimates suggest that the adoption of a \$15 minimum wage in the federally regulated private sector would lead to \$122 million in direct costs to employers in 2019, assuming no adverse employment impact and ignoring ripple effects. Thinking of that amount as additional consumer expenditure without any reduction in business investment, the \$122 million represents additional expenditure equal to 0.063% of federally regulated private sector GDP, which itself is slightly less than a tenth of Canada's GDP. This would be a one-time effect on GDP growth, after accounting for multiplier effects.

wage of \$15 per hour, indexed to inflation. Employers and employer organizations, on the other hand, said that re-establishing a common minimum wage for employees in the federal private sector would run counter to the recent practice of linking minimum wage to the cost of living in each province and territory. They also argued that it would create competition for labour between the federally and provincially/territorially regulated sectors and, as a result, inflationary wage pressures.

- The on-line survey also asked about this issue. While not a statistically representative sample, of the 2,453 individuals who responded to the question about whether there should be a common minimum wage for employees working in the federal private sector, 76% said “yes”, with women and men responding at the same rate. Women and men also said “no” at about the same rate (14% and just under 19% respectively). Of the 1,854 individuals who answered the question about the level at which a federal minimum wage should be set, about 46% of both women and men said \$15 per hour. Approximately 30% of both women and men said more than \$15 per hour. Many individuals explained that the rate they thought was appropriate is or should be a living wage. A few indicated that the rate should automatically increase on a regular basis according to a fixed amount or percentage, or to match increases in the cost of living or inflation.

ISSUES FOR THE PANEL’S CONSIDERATION

- Should the minimum wage for employees in the federally regulated private sector continue to be the minimum hourly rate set by the province or territory where the employee is usually employed? What are the advantages of continuing to define the federal minimum wage in this way? What are the disadvantages?
- Are there circumstances in which the federal government should consider using its existing regulatory authority to set a minimum wage for employees in the FRPS that differs from the minimum wage in the province or territory in which they usually work? If there are, what are they and what processes and data and analysis should be used to support the use of this regulatory authority?
- If a federal minimum wage were to be re-established, how should it be set (e.g. in the Code, the regulations under Part III, indexed, commission), at what level should it be set and who should be entitled to it (e.g. employees and workers who are not employees)?
- Would an increase in the minimum wage applicable to employees in the federal private sector to \$15 disproportionately benefit anyone? Or have disproportionate negative consequences for anyone? If so, who? (e.g. women, youth, Aboriginal, visible minority, persons with disabilities; employees in the trucking sector)

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