



Minimum Wage – Should British Columbia Adapt?

Due in large part to a decade-long freeze on the provincial minimum wage rate which was lifted in 2011, British Columbia today ranks 9th among Canadian provinces. Moreover, the relationship between the statutory minimum wage and overall average hourly earnings rate is one of the feeblest of all provinces with the ratio (minimum wage to average hourly earnings) declining from 48.2% in 2001 to 44.3% in 2015 – the only province to have seen a degeneration – before even accounting for jurisdictional cost of living.

It's no wonder then, that we hear calls for increasing the minimum wage. Clearly, minimum wage in BC has not been keeping stride; particularly if we recognize that BC is the only province in which the minimum wage does not satisfy the basic standard of living as represented by the Market Basket Measure.

Raising the minimum wage would naturally boost the wages of some 100,000+ people while serving to indirectly affect the wages of others currently earning above the minimum wage. As some would successfully argue, increasing the minimum wage may have impacts beyond simply adding more money to employees' pockets. Ample research posits that increasing minimum wage could lead to higher prices to consumers, job cuts, and unemployment. In short, critics assert that the real effects of minimum-wage increases are negative: hurting businesses, raising prices, and ultimately being counterproductive for the working poor given the anticipatory contraction to labour demand resulting from a wage increase.

Others concurrently argue that the evidence can simultaneously lead us to conclude that moderate increases in the minimum wage are a useful means of raising wages in the lower part of the wage distribution – having little or no effect on employment and hours. That said, current research does not speak to whether the same results would hold for more ambitious increases in the minimum wage.

It is time to benefit from the many research efforts over the years and to reach a BC resolve. Going beyond political claims, the time has arrived to allow our leaders to navigate the philosophical debate between neoclassical economics (with its emphasis on aggregate growth and the whole of the market) and progressive economics (with an emphasis on shared prosperity and fairness). As with most socio-economic considerations, much depends on the assumptions made and framing of the arguments; but certainly in British Columbia, we might agree that it's time to address the patterns of increasing wage inequality with a view to striking

the model that best responds to the characteristic of prevailing market wages and the frictions in the market.

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Executive Summary

The debate about the level of the minimum wage generates substantial interest as it is often linked to such issues as economic performance, employment, poverty and inequality. Some provinces have revised substantially their minimum wage policies in recent years, pledging to boost the minimum wage rates. British Columbia has taken only cautious steps in that direction; however, the heated debate on the need and merits of the minimum wage increase continues to persist. The Human Resource Management Association (HRMA) has seen fit to conduct a temperate review of the BC experience and to ruminate over how changes in minimum wage rates might be expected to affect British Columbia workers and the economy. Our observations include the following:

- **The minimum wage in British Columbia is one of the lowest across Canadian provinces**, regardless of the indicator used for comparison. British Columbia's statutory minimum wage rate ranks 9th among 10 Canadian provinces. The ratio of the minimum wage rate to average hourly earnings is much lower in British Columbia compared to many other provinces. Moreover, British Columbia is the only province where a single individual working full-time and earning minimum wage would not be able to afford a minimum set of necessities needed to maintain the basic standard of living.
- **There is no one single “typical” socio-economic profile of minimum wage workers.** Individuals earning less than minimum wage tend to be heads of households or their spouses in their 30s or older, often having already attained post-secondary education or higher. Such individuals are often employed full-time by small business and work in many different industries. In turn, individuals earning exactly minimum wage are predominantly teens and young adults living with their parents and completing their high school education. They work predominantly in the accommodation and food services industry, and retail trade, often part-time, and most likely in large companies. Characteristics of workers earning wage levels just above the minimum fall consistently in-between of these two profiles.
- **A higher level of minimum wage results in a greater proportion of workers earning minimum wage.** Consequently, the ripple effects of successive increases in minimum wage will affect an increasingly greater pool of workers.
- **Research guiding our understanding of the consequences of changes in minimum wage needs to be updated.** Empirical studies undertaken in the Canadian context focus almost exclusively on adverse outcomes of minimum wage increases experienced by teens and young workers (i.e. those 15 to 25 years of age). However, the profile of workers affected by increases in minimum wage is heterogeneous and extends well beyond the young segments of the labour force.

- **The discussion of changes in minimum wage rate needs to include specifics on the magnitude of the increase.** A 12% increase in the minimum wage rate to \$11.70 per hour could result in employment loss among young workers in the range of 4,590 to 22,788 jobs which would constitute a relatively small proportion (between 0.2% and 0.7%) of British Columbia's labour force. However, a hike of 43% in the minimum wage rate to \$15 per hour which is sometimes referenced could displace up to 119,934 jobs currently held by young workers.

It is quite evident that British Columbia is lagging behind other Canadian provinces in the level of its minimum wage. This may warrant some form of an upward adjustment to the wage rate; an adjustment that extends beyond a mere indexation for inflation. However, the province needs a well thought through strategy for the minimum wage increase. That strategy is best to be developed through a transparent, consultative process that congregates fairly stakeholders' views with current research and sensitivity analysis of the impact that may be expected from changes in the minimum wage.

Introduction

Legal minimum wage continues to be an important labour market fundamental in Canada. The debate around the level of the minimum wage generates substantial interest as it is commonly, and quite naturally, linked to such important issues as economic performance, employment, poverty and inequality. Economists typically agree that the minimum wage should be set at the market equilibrium as levels exceeding the equilibrium are commonly seen to result in reduced demand for low-skilled workers. That said, pinpointing market equilibrium outside of the simplified theoretical assumptions is challenging – and as such, heated debate persists in relation to the desired level of minimum wages and the merits of rate adjustments. Simply stated, the well-intentioned efforts to increase incomes of workers at the lower end of the earning spectrum are counterbalanced by possible significant adverse economic effects associated with rising minimum wage.

In Canada, minimum wage legislation is under the provincial jurisdiction, and therefore may vary from one province to another. Recently, Alberta, Ontario and other provinces have revised substantially their minimum wage policies; with some of the provinces adopting ambitious plans for boosting minimum wage rates. British Columbia has taken only cautious steps in that direction adopting an annual indexation of the statutory minimum wage rate to the level of inflation. Given this moderate approach, the debate ensues over the conceivable need and merit of increases in the minimum wage in British Columbia, with some observers advocating for the adoption of a \$15 per hour minimum wage.

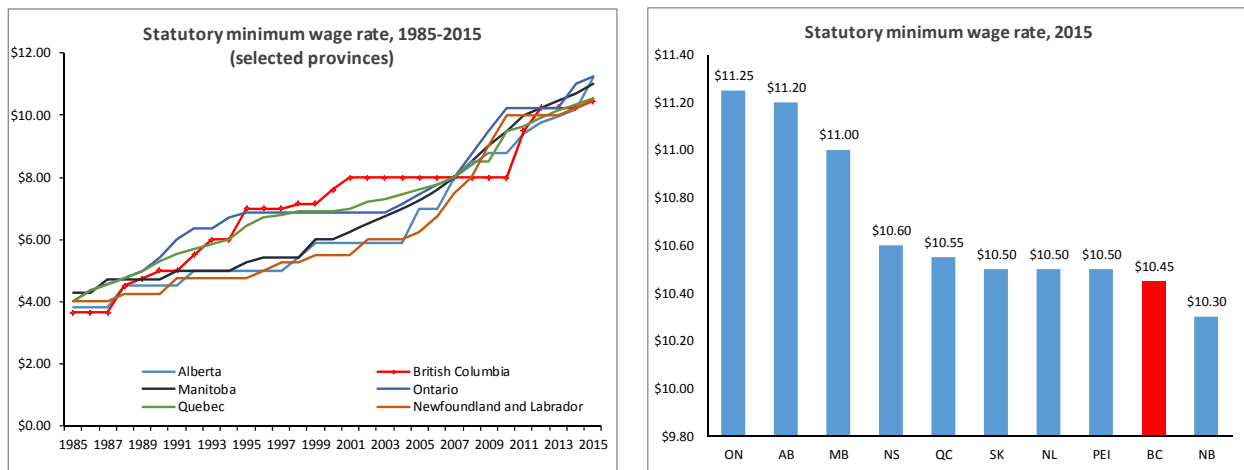
It is an economic reality that the minimum wage rate warrants periodical attention in order to ensure that it reflects and responds to perpetually evolving economic and social conditions. Recognizing the importance of minimum wage policy and of its impacts on the lives of Canadians, the Human Resource Management Association (HRMA) has seen fit to conduct a temperate review of the BC experience in relation to other Canadian provinces and to ruminate over how changes in minimum wage rates might be expected to affect British Columbia workers and the economy. To that end, we begin with a succinct overview of the current British Columbia's minimum wage rate and how it fares over time and in relation to other Canadian jurisdictions. Followed by an analysis of the minimum wage workers' profile and its multi-dimensionality, we assess our conventional understanding of effects caused by increases in minimum wage and offer some considerations.

Minimum Wage in British Columbia – Past and Present

Employees in British Columbia are entitled to be paid minimum wage at the rates set out by the provincial government. Minimum wage provisions apply regardless of the employee’s status such as full-time or part-time employment, or the basis on which they are paid such as hourly rate, commission, flat rate or salary. As of September 15, 2015, the general minimum wage rate in British Columbia is set at \$10.45 per hour.¹

The statutory minimum wage rate has gone through periods of freezes and ad-hoc increases in all provinces over the past 30 years. However, most of the provinces have experienced some form of a gradual rate increase, particularly over the past decade. British Columbia was the only province imposing a decade-long freeze on the minimum wage rate which extended into the 2nd decade of the 2000s (Figure 1, left-hand).

Figure 1: Recent trajectory of minimum wage rates in selected Canadian provinces



Note: Left-hand graph: Only selected provinces are presented in order to improve the readability of the graph. The choice of provinces was guided by the intent to highlight the diversity of trajectories of minimum wage rates across Canadian provinces.

Source: Minimum Wage Database, Government of Canada, available at <http://srv116.services.gc.ca/dimt-wid/sm-mw/menu.aspx?lang=eng>; referenced December 3, 2015.

The rate freeze had led to a substantial loss in value of the minimum wage chopping some 14% off the real minimum wage between 2001 and 2011 when the freeze was finally lifted. Although hikes in minimum wage taking place in 2011, 2012 and 2015 have helped to restore its real value, these rate increases have not empowered the minimum wage to keep up with the overall growth rate in workers’ earnings. While real average hourly earnings increased by 16.1% in British Columbia between 2001 and 2015, the real minimum wage rate increased by only 7.3% over the same period.

¹ The minimum wage is set at a different rate for some groups of workers. For instance, the minimum wage of liquor servers is set at \$9.20 per hour while live-in home support workers and live-in camp leaders are entitled to the minimum wage of \$104.50 and \$83.60 per day respectively.

Currently, British Columbia has one of the lowest levels of the statutory minimum wage rate; it ranks 9th among 10 Canadian provinces (Figure 1, right-hand). However, a noticeable convergence in statutory minimum wage rates has been observed across provinces in the past five years, and the current differences in wage rates are no longer as substantial as the ranking may suggest. For instance, the magnitude at which the highest provincial minimum wages rate exceeds the lowest declined from 45% in 2000 to a more modest 9% in 2015.

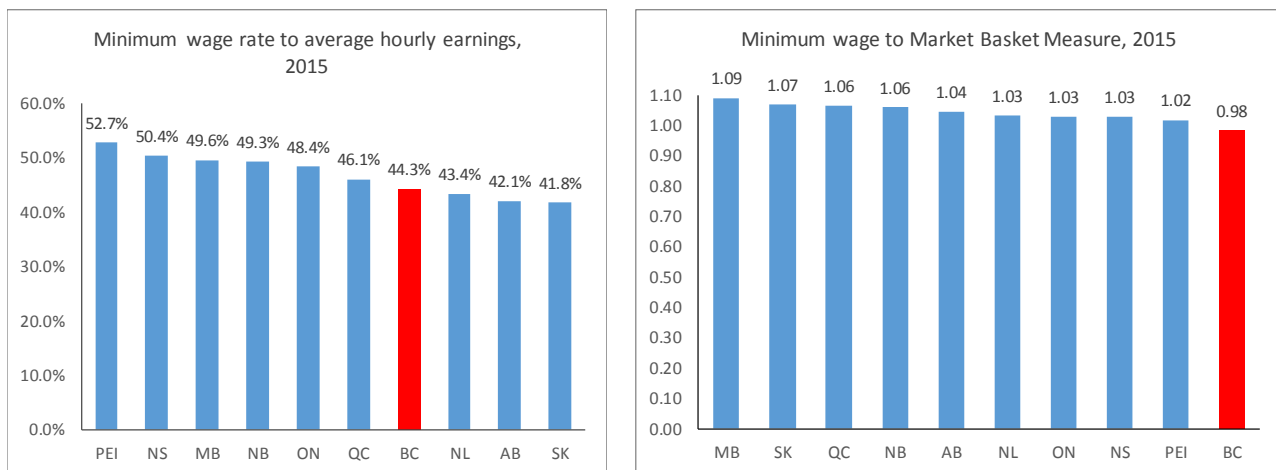
To better understand how British Columbia's minimum wage rate fares compared to other provinces, it is helpful to assess the rate relative to characteristics that reflect the state of the labour market as well as the purchasing power of after-tax dollars. We use provincial average hourly earnings to see how well the minimum wage keeps up with wages of other workers, and the Market Basket Measure to compare the ability of the minimum wage to satisfy a set of basic living necessities.

The statutory minimum wage rate falls short of workers' average hourly earnings in all provinces; however, the gap in British Columbia is more pronounced than in many other jurisdictions. In September 2015, the minimum wage rate in British Columbia represents only 44.3% of the province's average hourly earnings rate. This ranks 7th out of 10 Canadian provinces (

Figure 2, left-hand). Moreover, unlike all other provinces, changes in the minimum wage in British Columbia did not keep up with the overall pace of growth in the compensation of workers. The ratio of the minimum wage to average hourly earnings in British Columbia declined from 48.2% in 2001 to 44.3% in 2015 while this ratio went up in all other provinces over the same period.²

² Quebec and Saskatchewan experienced an only small increase in the ratio whereas other provinces had an increase in the magnitude ranging from one fifth to one quarter.

Figure 2: Minimum wage relative to average earnings and the Market Basket Measure



Note: The right-hand chart is constructed based on the following assumptions: the 2013 Market Basket Measure for persons not in economic family residing in each province's major census metropolitan areas was adjusted to September 2015 prices using the CPI. Gross annual income earned through employment at the minimum wage rate was calculated based on a 40-hour week and a 52-week year. Annual after-tax income was calculated for a single individual with no dependents who receives tax credit for the basic personal amount only. The individual is assumed to receive income from only one source, i.e. from employment at the minimum wage rate.

Source: Minimum Wage Database, Government of Canada, available at <http://srv116.services.gc.ca/dimt-wid/sm-mw/menu.aspx?lang=eng>; referenced December 3, 2015; Statistics Canada's CANSIM Tables 281-0008, 206-0093 and 326-0020; HRMA calculations.

The Market Basket Measure, which reflects the basic standard of living, provides a particularly useful reference point for the provincial comparison as it is sensitive to geographical variations in costs of typical household expenditure items. As

Figure 2 (right-hand) shows, a single individual working full-time and earning the minimum wage in British Columbia would be unable to afford purchasing the set of living necessities to maintain the basic standard of living unless those earnings are supplemented with an income or resources from other sources. In all other provinces, the minimum wage would allow the individual to afford the basic basket of goods. At its current rate, the minimum wage in British Columbia predictably has the weakest purchasing power compared to all other provinces. It is important to underscore, however, that the numerical values of the ratios presented in

Figure 2 correspond to the specific profile of a hypothetical individual and is based on some specific assumptions about that individual's circumstances. As the labour force encompasses workers possessing a wide variety of personal and family characteristics, the numerical value of the presented ratio is not as informative as the regional comparisons that it enables.

The discussion above has made it quite evident that British Columbia is lagging behind other provinces in the level of its minimum wage. It may not be surprising that calls for an increase in the statutory minimum wage rate are gaining momentum in British Columbia. In the section that follows, we look at the characteristics of workers that would be affected should the statutory minimum wage rate increase.

Familiar and Not-So-Familiar Profile of Minimum Wage Workers³

Some 109,000 British Columbians were earning minimum wage⁴ in 2014. This accounted for 4.8% of all employed in British Columbia. Over the past decade, the number of minimum workers strongly correlated with the level of minimum wage, i.e. a higher level of minimum wage resulted in a greater proportion of workers earning minimum wage. For instance, the increase in British Columbia's statutory minimum wage rate from \$8.00 in 2010 to \$10.25 in 2012 led to more than tripling the proportion of workers receiving minimum wage, i.e. from 1.8% of all employed in 2010 to 6.0% of all employed in 2012.

In broad strokes, the profile of workers earning minimum wage is fairly well known. Such workers tend to be young and live at home with parents; they work almost exclusively in the private sector, predominantly in the accommodation and food services industry, retail trade and agriculture. Their workplace is typically not unionized and is almost as likely to be a small business as a large company. Many minimum wage workers are students; however, they also tend to be employed on a permanent basis

Box 1: Assumptions used for the analysis

- The profiles of minimum wage workers are constructed for 2014 – the most recent year for which full 12 months of data are available at the time of writing.
- Workers earning minimum wage are those earning either the general minimum wage (i.e. \$10.25) or the liquor server minimum wage (i.e. \$9.00).
- Workers earning less than minimum wage are those earning less than \$10.25 but not \$9.00.
- Workers earning between old and new wage rates are those earning between \$10.26 and \$11.48. The \$11.48 threshold corresponds to a 12% increase in the statutory minimum wage rate of \$10.25. This level of an increase corresponds to the increase needed to bring the purchasing power of British Columbia's minimum wage on par with the top ranking province presented in
- Figure 2 (right-hand). In the text, this group of workers is referred to as workers earning just above the minimum wage rate.

³ Statistics presented in this section are based on the Statistics Canada's Labour Force Survey (LFS). The data was obtained from the LFS public use microdata files. The number of employees working for minimum wage was calculated using the applicable minimum wage rate for adult workers for each month of the corresponding year. The annual average is based on the average of the 12 monthly observations. The self-employed and unpaid family workers were excluded from the analysis as they are not covered by minimum wage provisions.

⁴ This includes workers earning exactly the minimum wage rate as well as those earning less than minimum wage. The presence of workers earning less than minimum wage does not necessarily indicate a violation of minimum wage legislation – but rather that such workers may not be covered by the legislation or may be subject to rates below the general adult rate.

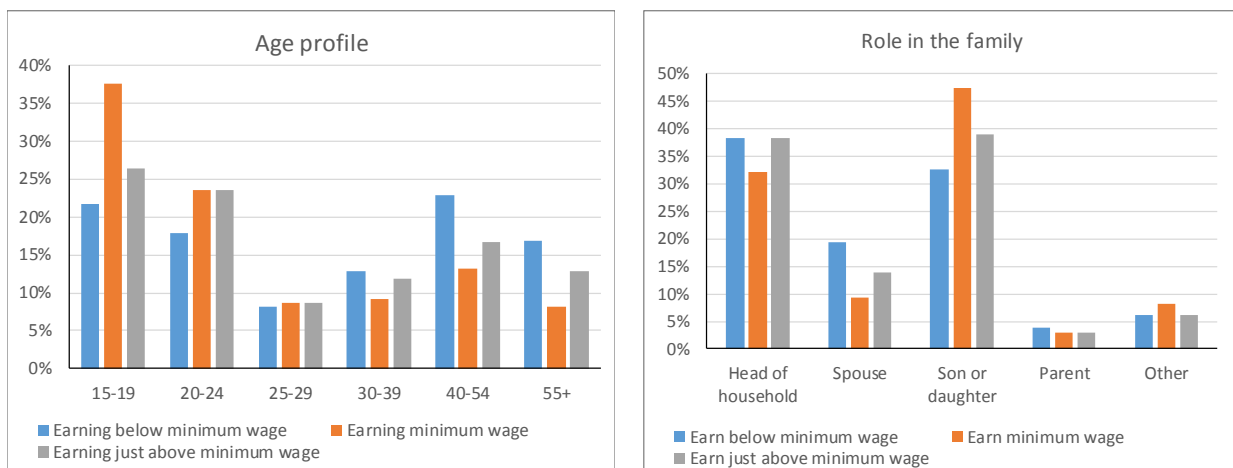
and are about equally likely to be working full-time or part-time.

Three groups of workers would be directly affected by changes in the statutory minimum wage rate: (i) those earning exactly minimum wage, (ii) those earning a wage that is below the minimum wage, and (iii) those whose wage falls between the old and new wage rates. Our analysis shows that there are some noticeable differences in the socio-economic profiles of these three groups of workers, particularly in characteristics of workers earning exactly minimum wage and those whose wages are below the minimum (see Box 1 for the list of assumptions used in the analysis).

In 2014, some 40,800 British Columbians were earning less than minimum wage, another 68,100 worked for minimum wage and some 109,300 were earning a wage just above the minimum wage.

The majority (52.5%) of workers earning below minimum wage were in their 30s or older while workers earning minimum wage were predominantly teens and young adults; namely, 69.7% of them were under the age of 30. Consequently, the roles that these individuals played in their families were also quite different. Workers earning minimum wage were largely made up of individuals living at home with their parents. Only 41.4% of minimum wage workers were heads of household or their spouses. In turn, workers earning less than minimum wage were noticeably more likely to have already formed their own families as 57.6% of them were heads of households or their spouses (Figure 3). Workers earning less than minimum wage also tended to be more advanced in their education: only 25% of those earning minimum wage had post-secondary education or higher whereas some 41% of those earning less than minimum wage had attained this level of education.

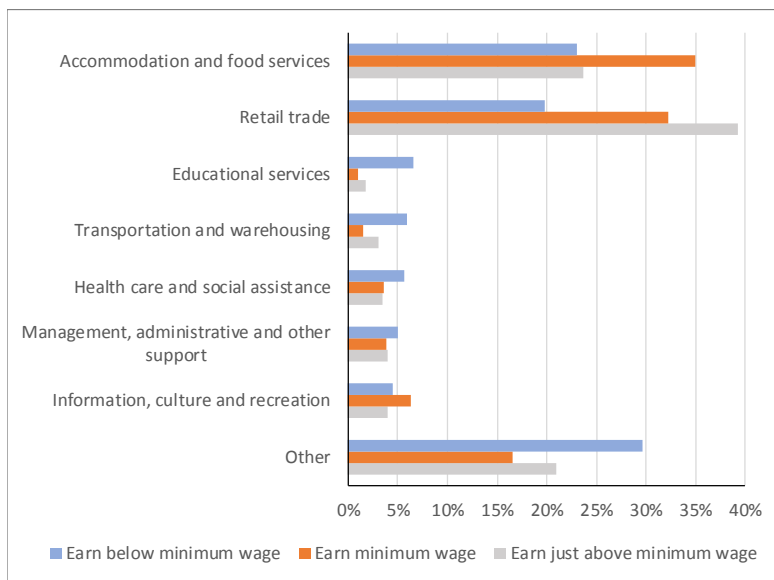
Figure 3: Age profile of minimum wage workers and their role in the family, 2014



Source: Statistics Canada's Labour Force Survey public use microdata file, January–December, 2014; HRMA calculations.

Employment characteristics of workers earning various levels of low wages were also quite different. The majority (60.3%) of workers earning minimum wage worked part-time while the majority (52.6%) of those earning less than minimum wage worked full-time. Their industry affiliation likewise varied. Workers earning minimum wage were predominantly concentrated in two industries – accommodation and food services industry, and retail trade. Some 67.3% of such workers were employed in these two industries. In turn, workers earning less than minimum wage were as likely to work in accommodation, food services and retail trade as in other industries and sectors (Figure 4).

Figure 4: Industry affiliation of minimum wage workers, 2014



Source: Statistics Canada’s Labour Force Survey public use microdata file, January–December, 2014; HRMA calculations.

Moreover, workers earning minimum wage were most likely to work for large businesses that employ more than 500 employees while workers with earnings below the minimum wage were predominantly concentrated in small businesses employing less than 20 staff. Although the workplace of all minimum wage workers was most typically not unionized, those earning less than minimum wage were nearly three times more likely to be union members compared to those earning minimum wage.

Workers earning less than minimum wage were also more representative of the population’s gender profile compared to workers earning minimum wage: women constituted a fair half (52%) of those earning less than minimum wage but were noticeably over-represented among earners of the minimum wage accounting for 66% of them. Those working for less than minimum wage also tended to have greater attachment to their employers. Some 27.8% of workers earning less than minimum wage in 2014 were in their current job for five or more years. Those earning exactly the minimum wage were twice less likely to have such a long tenure with their employers.

For the benefit of a concise and focused argument, we do not provide numerical details of the profile of workers earning wage just above the minimum (except that presented in the charts). However, our analysis shows that their profile falls fairly consistently in-between the profiles of workers earning less than minimum wage and those earning minimum wage for most of the socio-economic characteristics discussed above.

The highlighted heterogeneity of workers who will be affected by changes in the minimum wage rate adds an important consideration to the discussion of consequences of increasing minimum wage rates.

Consequences of Increasing Minimum Wage

Extensive literature written on this subject suggests that an increase in the minimum wage beyond a mere adjustment for inflation may be associated with negative as well as positive consequences. An adverse impact may manifest through reduced employment as some firms lower their demand for unskilled labour, and through reduced number of hours actually worked as employers try to offset higher labour costs. An increase in the minimum wage rate may also lead to a drop in workplace training, increased prices for consumers, and higher rates of school drop outs. However, these adverse effects may be mitigated by such positive factors as improvements in organizational efficiency through utilization of more advanced managerial practices, decreased labour turnover as higher minimum wage increases incentives for workers to remain on the job, and higher employment rates among some segments of the labour force, particularly older workers .

The negative consequences of increases in minimum wage are fairly well documented by empirical studies⁵ whereas the understanding of positive consequences remains rather anecdotal and not be very clearly substantiated. Naturally, this leads to an impression that adverse consequences of minimum wage hikes outweigh possible positive outcomes.

Out of the long list of adverse effects, the decline in employment of low-wage workers is seen by far as the most noticeable and significant negative consequence of raising minimum wages. Research conducted in the Canadian context finds consistently that increases in minimum wage lead to a decline in employment of young workers.⁶ This undesirable outcome is quite extensively presented by the opponents of raising minimum wages.

A report⁷ prepared by the Fraser Institute in 2009 provides a thorough documentation of 14 studies that examine the extent to which changes in minimum wage rates affect employment in Canada. The report groups the existing studies into two categories: (i) studies that examine the impact of increasing minimum wage on those who typically earn the minimum wage (i.e., teens and young adults), and (ii) studies that examine the employment effects on those earning a wage that is in between the old minimum wage and the new minimum wage.

⁵ Examples of recent studies that document adverse effects of increases in minimum wage include: Campolieti, M. Gunderson, M. and Riddell, C. (2006), *Minimum wage impact from a pre-specified research design: Canada 1981-1997*, Industrial Relations; Dube, A. and Lester, W.T. (2010), *Minimum wage effects across state borders: estimates using contiguous counties*, Review of Economics and Statistics, 92(4); Neumark, D. and Wascher, W (2001), *Minimum wages and training revisited*, Journal of Labour Economics, 19(3).

⁶ Unlike Canada, the analysis of employment effects arising from increases in minimum wage in the United States does not offer a consensus. Studies from the 1950s through 1970s find that hikes in minimum wage reduce employment of teen workers whereas more recent studies from the 1990s and 2000s find that adverse employment effects are close to zero or insignificant.

⁷ Godin, Keith and Veldhuis, Niels, (2009), *The economic effects of increasing British Columbia's minimum wage*, Studies in Labour Markets, Fraser Institute.

The first group of studies suggests that a 10% increase in the minimum wage is likely to decrease overall employment among teens and young adults by 3% to 6%. The second group of studies suggests that a 10% increase in the minimum wage is likely to decrease employment among young workers earning a wage that is between the old and new levels by 4.5% to 20%. For both groups of workers, adverse employment effects tend to be larger if the wage is raised through a large, one-step increase.⁸

Two points are of interest to highlight in regards to findings of these previous studies. First, all of the 14 studies focus attention on the consequences that are experienced by youth or young workers (i.e. those between 15 and 25 years of age). Second, the most recent Canadian study that empirically examined employment effects of raising minimum wage was published nearly a decade ago while the vast majority of such studies were undertaken in the 1990s. Datasets used by those studies were also quite dated: even the most recent study released in 2006 used data that preceded 2000. Given that the profile of workers affected by increases in the minimum wage is heterogeneous and extends well beyond young workers, these studies may no longer provide informative guidance for assessing the possible consequences of changes in minimum wage.

Research finds that the adverse employment effects of increasing minimum wage fall almost exclusively on workers who have been in minimum wage jobs for long periods (so-called “permanent” minimum wage workers).⁹ As was seen in the preceding section, those earning wages below the minimum rate have a much higher propensity to be permanent minimum wage workers compared to individuals earning exactly the minimum wage. This is likewise the case for workers earning just above the minimum wage. Extending this logic, we may assume that workers earning less than minimum wage and those earning just above the minimum (who also tend to be mature and older workers) will be more likely to face adverse employment effects from hikes in minimum wage compared to workers earning exactly minimum wage (who are primarily teens and young adults). This further underscores that our current knowledge derived from previous empirical studies may not be sufficient to accurately predict the employment effects of changes in minimum wage.

The discussion of how an increase in minimum wage may impact British Columbia’s labour market has to include specifics on the magnitude of the increase. For instance, a 12% increase in the minimum wage rate discussed in the previous section could result in employment loss among workers under age 25 ranging from 4,590 to 22,788 jobs.¹⁰ Such a number of displaced workers would represent a modest proportion (between 0.2% and 0.7%) of the total labour force

⁸ Campolieti, M., Gunderson, M. and Lee, B. (2012), *The (Non)impact of minimum wage on poverty*, Journal of Labour Research, 33(3).

⁹ Campolieti, M., Gunderson, M. and Lee, B. (2012), *The (Non)impact of minimum wage on poverty*, Journal of Labour Research, 33(3).

¹⁰ The estimates are derived based on 2014 data and by replicating the methodology used by Godin and Veldhuis in Godin, K. and Veldhuis, N. (2009), *The economic effects of increasing British Columbia’s minimum wage*, Studies in Labour Markets, Fraser Institute, pp. 34-36.

in British Columbia and could be expected to be absorbed by the economy, particularly if the economy is growing. However, if the minimum wage rate is increased significantly (for instance, to \$15 or by 43% as some observers suggest), the adverse employment effect may be significant with employment loss among workers under age 25 ranging from 26,985 to 119,934 jobs.¹¹

Minimum wage workers contribute markedly to the employment of two industries that are of high importance to British Columbia's economy – accommodation and food services industry, and retail trade. Some 18.0% of employed in accommodation and food services, and 10.8% of employed in retail trade were minimum wage earners in 2014. As such, a large increase in the minimum wage will not only be likely to generate substantial adverse employment effect but also disproportionately impact the two industries that are among the driving forces of the provincial economy.

¹¹ The estimates are derived based on 2014 data and by replicating the methodology used by Godin and Veldhuis in Godin, K. and Veldhuis, N. (2009), *The economic effects of increasing British Columbia's minimum wage*, Studies in Labour Markets, Fraser Institute, pp. 34-36.

Conclusions and Steps Forward

It is quite evident that British Columbia is lagging behind other Canadian provinces in the level of its minimum wage. This may warrant some form of an upward adjustment to the wage rate; an adjustment that extends beyond a mere indexation for inflation. However, prior to dashing into action, it may be desirable to gain a better grasp of the consequences as they may pertain to the peculiarities of the British Columbia labour market and the economy.

British Columbians earning minimum wage or just a notch above it have multifaceted socio-economic profiles; however, our understanding of the potential impact of minimum wage increases is primarily based on the assumption that minimum wage earners are young adults living at home. Moreover, that understanding was derived based on the analysis that did not fully take into account the impact of innovation, technology-enabled solutions and the knowledge economy that has continued to evolve over the past 15 years.

British Columbia's statutory minimum wage rate went up 28% over a 12-month period between 2011 and 2012. Now it may be just the right time to undertake a thorough assessment of employment and other effects (positive and negative) caused by that change in the statutory rate. Particularly as the time passed since the hike has allowed both short-term and longer-term effects to materialise.

Predictability of increases in the minimum wage is important for business; maintaining wage's purchasing power is critical for those employed at the minimum wage. The recently introduced system of adjusting the British Columbia's minimum wage rate based on changes in the Consumer Price Index (CPI) is certainly a step forward in order to ensure the fair balance between business and labour needs.

However, it is also essential to ensure that the process of revising minimum wages beyond mere adjustments for inflation is transparent, fair and politically neutral. Establishing an independent panel could facilitate this process. Such a panel could be empowered to conduct the necessary consultations and provide recommendations on the process of determining the appropriate minimum wage level and reviewing future increases. Ontario's experience may be of interest in this respect. In 2013, the Ontario government established a Minimum Wage Advisory Panel to examine Ontario's minimum wage policy and provide advice on the approach to determining minimum wages. The panel consisted of representatives from business, unionized and non-unionized labour, and youth, holding public consultations as well conducting thorough analysis of stakeholders' views and past research.

At its core, the intent of the minimum wage is to ensure a minimum standard of living for employees. It is important to keep in mind that this purpose can be attained through a number of means. Strategies outside the minimum wage policy may include targeted tax relief such as an

increase in the basic personal and spousal exemption levels, and enhancing workers' skills through education and training opportunities.

Minimum wages have powerful emotional and political dimensions. However, technological advances are enabling firms to replace workers with technology-enabled solutions that have entered a perpetual mode of becoming cheaper and more efficient. It is critical that the minimum wage be set at the right level that benefits both workers and the economy.

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