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# Higher Alberta Minimum Wage Benefits Both Workers And Employers

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The hike to Alberta's minimum wage over the weekend to \$12.20, part of an incremental increase to \$15 in 2018, , , , , unleashed plenty of unfounded furor.

The knee-jerk response of employers of low-paid workers is to say that this phased-in increase will come at the cost of jobs. Indeed, the **Canadian Federation of Independent Business** claims that this move by government has the potential to cost 50,000 jobs.

Such economic scare-mongering is at odds with the evidence that has led most mainstream economic experts to support higher minimum wages as one strand of a poverty and inequality reduction strategy.

The Paris-based think tank for advanced industrial countries, ~~OECD~~, argues in its [2014 Employment Outlook](#) that minimum wages "can help underpin the wages of low-paid workers" and thus lower poverty. They also report that "evidence suggests that, when set at an appropriate level, **minimum wages tend to have only a small adverse effect on employment.**"

The conservative view is that **increases in minimum wages raise the price of labour and thus result in less employment.** As Republican House Leader John Boehner put it in [immediate response to](#) President Obama's proposal to hike the US. federal minimum wage: "When you raise the price of employment, guess what happens? You get less of it."

Many commentators seem to think that even a small negative impact on total employment is sufficient reason to rule out a minimum wage increase. But impacts on hours of work arising from a minimum wage increases can leave

the great majority of minimum wage workers much better off. For example, someone working 30 hours per week for \$15 per hour earns \$65 more per week better off than if she was working 35 hours per week for \$11 per hour.

A ... response of employers to a higher minimum wage may indeed be to raise productivity by doing more with less by modestly cutting hours, or ... through investments in labour-saving equipment or training. This is not a bad thing since output per hour will rise and support higher wages.

But an exhaustive, summary of the economic literature by John Schmitt of the Center for Economic Policy Research, finds that the great majority of literally dozens of recent studies in the United States conclude that the negative effects on employment of modest minimum wage increases are very small.

Some of the highly respected **studies actually show a positive impact on jobs due to the increased purchasing- power of low wage workers.**

Higher minimum wages can actually be good for business. They correct for a significant tendency by low wage employers to pay less than the hourly wage which actually serves their own best interests.

Many low wage employers have job vacancies at any given time due to high worker turnover. But they are reluctant to raise wages to fill these vacancies since they would then have to pay more to all of their current work force. An equilibrium point is to pay very low wages even if operations are not properly staffed at all times.

A higher minimum wage can help by reducing turnover. This reduces employer costs in three ways. Employers will not lose business due to not having enough workers on a shift; they will have more experienced and more committed employees; and they will save on recruitment and training costs which can be quite significant even for low skill jobs.

Schmitt concludes that lower worker turnover and the resulting benefits to employers are the most important explanation why modest increases in the minimum wage have much smaller impacts on employment than the critics claim.

Alberta businesses should support the decent minimum wage policy of the NDP government in the interests of both fairness and economic efficiency.

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