



**DEBUNKING UCP'S YOUTH MINIMUM  
WAGE: International experience shows  
youth wages kill jobs for older workers**



**“Alberta’s youth unemployment rate is a full percentage point lower than Canada’s.”**

As part of his new legislative agenda, Premier Jason Kenney has announced that he is slashing the minimum wage for workers under the age of 18 by \$2 per hour.

We estimate that there are approximately 35,609 workers in Alberta aged 15-17 that this will negatively impact directly by lowering their wages.<sup>1</sup> This will make life harder for young workers who are saving for school or contributing to their household’s income. This government says that they are taking these steps to try and address higher unemployment rates and a lower labour force participation rate for workers aged 15-24, which they have diagnosed to be a problem with a lack of work experience gained while under 18. This is a discriminatory policy that tells young Albertans that the work they do is worth less than another Albertans’, while also hurting the very segment of the workforce that it purports to help.

## Youth Unemployment in Context

Youth unemployment (those aged 15-24) in Alberta is currently around 9.7%, which is significantly higher than those aged 25+.<sup>2</sup> The youth labour force participation rate is approximately 64%, a drop from the 2014 high of 69%, but still significantly higher than the rest of Canada.<sup>3</sup> The youth labour force participation rate is naturally lower than the adult rate, given that 15-24 year olds are more likely to be in full-time education. The differential between youth unemployment and adult unemployment is not a uniquely Albertan problem—it is endemic to all industrialized economies and flares up in economic downturns. Canada’s youth unemployment rate is just below the OECD average, and Alberta’s youth unemployment rate is a full percentage point lower than Canada’s.<sup>4</sup> In terms of wages, young workers are also paid less regardless of minimum wage policies across the world. Relative wages for young people have been steadily decreasing across the world, albeit not in Canada where they have remained constant relative to adult pay. Youth workers suffer higher unemployment because they are generally clustered into low-wage positions and sectors, where they are often the “last ones hired and the first ones fired.”

1. 2018 workforce estimates from Statistics Canada Labour Force Survey Micro File, courtesy of Paul Tulloch.

2. Government of Alberta. Alberta Labour Force Statistics April, 2019. <https://open.alberta.ca/dataset/b754ca87-2e9b-4a80-b7b2-2cfef8e53ff4/resource/a1ec8dd3-05c3-4847-bcca-1d4041c7ea7a/download/public-package-2019-04.pdf>

3. Stats Canada. Table 14-1—0287-01.

4. OECD Data. Youth Unemployment Rate, 2018. <https://data.oecd.org/unemp/youth-unemployment-rate.htm>

**“the key problem is that youth minimum wages strongly encourage employers to fire workers as they age”**

## Youth Minimum Wage Differentials Hurt 15-24 Year Olds

Youth wage differentials, such as those proposed by the UCP, are not uncommon. Belgium, the Czech Republic, Denmark, France, Ireland, the Netherlands, Portugal, Turkey, the U.K. and Australia all maintain or have maintained some version of a youth minimum wage differential. Only the Czech Republic has an appreciably lower youth unemployment rate compared to Canada and Alberta—and their youth minimum wage can be better understood as a temporary training wage (those under 21 have a lower minimum wage until they attain six months experience, when they then attain a higher minimum wage). The rationale behind youth minimum wages in many of these nations is not focused solely on introducing youth to the workforce, and in the case of the Netherlands, is a policy designed to encourage youth to attain greater levels of education instead of joining the workforce—although its success at accomplishing this task is unclear. By implementing a youth minimum wage, Kenney might actually reduce the youth labour force participation rate as lower wages will convince young workers that it is not worth entering the workforce at those rates. Separate youth minimum wages also have greater problems of enforceability and monitoring, as additional complexity undermines the minimum wage’s ability to be an effective instrument of social protection for vulnerable low-waged workers.

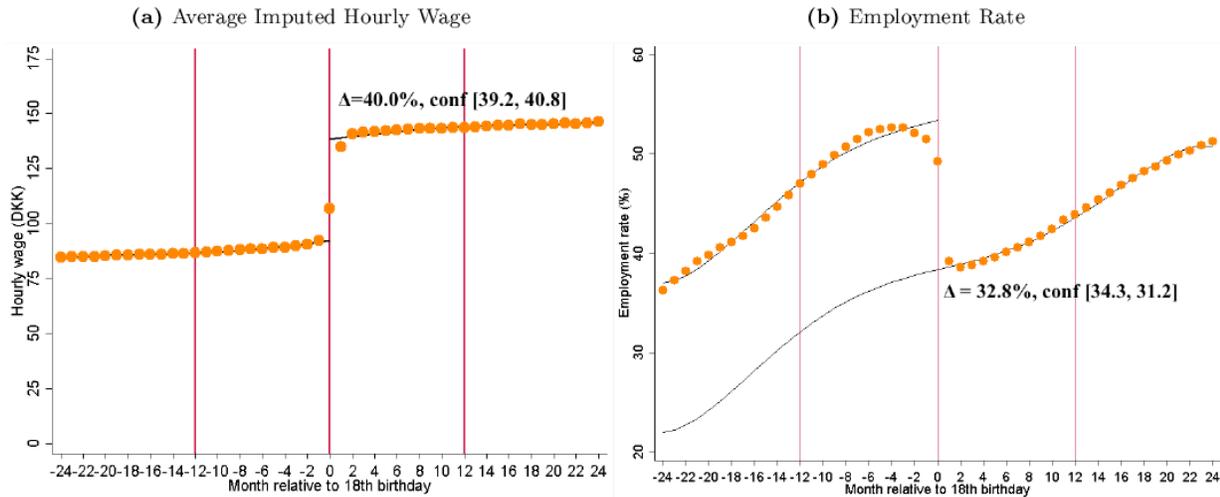
However, the key problem is that youth minimum wages strongly encourage employers to fire workers as they age, given that these existing workers will then be more costly compared to going out and hiring more young workers—generally escribed as a “substitute effect.”<sup>5</sup> One empirical study analyzing the impact of Denmark’s youth wage differential, found that the employment rate craters for young people once they graduate to the universal wage, by approximately 33 percent. The study found that “Data on flows into and out of employment show that the drop in employment is driven almost entirely by job loss when individuals turn 18 years old.” That higher rate of unemployment persisted past the age 20 mark. In Denmark’s case, the youth minimum wage led to significantly poorer outcomes for workers aged 18-24—just as these workers enter adulthood. There is significant evidence that unemployment and job loss at this time in a worker’s life creates a “scarring effect,” which drastically worsens their future employment prospects and lifetime earnings.<sup>6</sup>

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5. International Labour Organization. What works in wage subsidies for young people: A review of issues, theory, policies and evidence, pg. 6. [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_466538.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_466538.pdf)

6. Kreiner et al. Do Lower Minimum Wages for Young Workers Raise their Employment? Evidence from a Danish Discontinuity. June 4, 2017. [https://cepr.org/sites/default/files/3564\\_KREINER%20-%20Do%20Lower%20Minimum%20Wages%20for%20Young%20Workers%20Raise%20their%20Em-employment\\_0.pdf](https://cepr.org/sites/default/files/3564_KREINER%20-%20Do%20Lower%20Minimum%20Wages%20for%20Young%20Workers%20Raise%20their%20Em-employment_0.pdf)

**Figure 1: Wages and Employment around Workers' 18th Birthdays**



Evidence from Denmark: When a worker turns 18 and starts earning the adult minimum wage, the employment rate drops by 33%. Source: Kreiner et al.

A similar case study exists in the United Kingdom. In 1999, after leaving workers under 18 with no minimum wage protection, the U.K. was forced to extend the minimum wage (at a differential to the adult minimum wage) to these young workers after the *Low Pay Commission* found that:

“Fundamentally, a youth minimum wage is discriminatory, and violates international standards on fair pay.”

- a) Employers were offering brutally low wages to 16-17 year olds
- b) Employers were firing workers as they reached the age of 18 (when they became subject to minimum wage protection)
- c) Young people were choosing not to enter the workforce given the low wages being offered
- d) Employers were offering little to no training<sup>7</sup>

Employers in the U.K., like most industrial nations, had the power to set wages when free of a minimum wage statute. When permitted to utilize that power, they used it to overwhelmingly hire exclusively those who could be hired at a lower premium and discarded workers as soon as that premium expired.

Alberta has in the past flirted with separate youth minimum wages, but phased them out. Alberta had a much smaller youth wage differential during the 1990s of about 50 cents (styled as a training wage). This is what the Progressive Conservative Alberta Minister of Labour, Murray Smith said at the time:

“One of the keystone changes in the minimum wage was to take the wage differential of 50 cents for

7. Damian Grimshaw, International Labour Organization. At work but earning less: Trends in decent pay and minimum wages for young people, pg. 32. [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_340067.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_340067.pdf)

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**“Second, he is trying to send a message to all Albertans that they can expect weaker bargaining power in the future.”**

those under 18, \$4.50 an hour for those under 18 and \$5 for those over 18, and remove that, because, one, we know that employees, particularly young people, are far more job ready than they’ve ever been before. Secondly, we had evidence where that training wage was being abused by employers, abused to the point where it had to be eliminated.”<sup>8</sup>

Fundamentally, a youth minimum wage is discriminatory, and violates international standards on fair pay. Youth workers cannot be universally judged to have lower productivity than older workers, especially given the types of jobs that we typically find youth workers in. The International Labour Organization and international community have embraced the principle of “equal remuneration for work of equal value.”<sup>9</sup> All Canadian provinces embraced this standard in the 1980s and the 1990s, and nations such as New Zealand have also moved to a single minimum wage. By implementing a tiered minimum wage, Alberta is in contravention of international labour standards and pushing even lower wages on some of the already lowest waged workers in our society.

## The Bigger Picture: Eroding worker bargaining power early and providing businesses cheap labour

If youth minimum wages are discriminatory and unproven to improve employment outcomes for workers aged 15-24, what is Kenney really trying to accomplish? First, he is trying to subsidize low-wage employers by providing them with cheaper, younger workers. These employers (often the same employers that used and abused the Temporary Foreign Worker Program) are not interested in providing training or opportunities to young people, they are interested in exploiting a low-wage workforce to maximize their profits. Second, he is trying to send a message to all Albertans that they can expect weaker bargaining power in the future. The wages a worker earns early in their life sets their expectations and values of work for their entire working career. Kenney is sending a message that workers in Alberta should expect and accept low wages, and that they should feel lucky just to have a job.

8. Alberta Hansard. November 26, 1998, pg. 2145.

9. International Labour Organization. The youth employment crisis: A call for action, 2012. [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---rel-conf/documents/meetingdocument/wcms\\_185950.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---rel-conf/documents/meetingdocument/wcms_185950.pdf)

