

# MINIMUM WAGE

FACT SHEET

MAY 12, 2018

## Newfoundland and Labrador Minimum Wage

# Unemployment and the Minimum Wage

**BIG BUSINESSES THAT PAY MINIMUM WAGES** are the most persistent opponents of minimum wages. They like to stay in the background, and put other people in the foreground — like workers.

Now, obviously minimum wage increases help workers who are paid the minimum wage and those a bit above. So the opponents claim that other workers are hurt. But the evidence does not support that claim.

Below are some of the ways that opponents make that argument, and some facts in response.

**Myth: “Minimum wage increases cause unemployment – it’s just economics 101”**

**Reality:** Real economies don’t follow simplified economic models; they are far more complex. There are many ways that businesses adjust to increased minimum wages; economists call these “adjustment channels.”

Real-life experience shows that there is little to no impact on employment from minimum wage increases (see the full backgrounder paper. The Canadian experience backs this up, as shown below.

**Myth: “The provinces with the highest minimum wages have high unemployment.”**

**Reality:** The provinces with the highest minimum wages have relatively low unemployment rates.

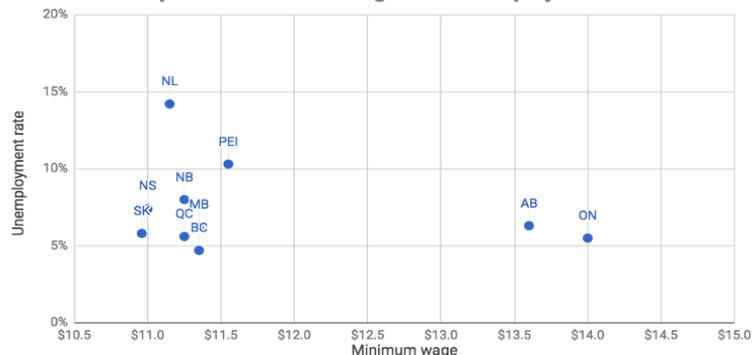


**Myth: “A higher minimum wage will cause employers to adopt automation to replace low-wage workers”**

**Reality:** Restaurants, retail, and other sectors have been automating for years, without minimum wage increases. The businesses that have the greatest financial incentive to automate are actually those that pay high wages.

**Automation: a year before a minimum wage increase was announced.**

Provincial comparison: minimum wages and unemployment



**Myth: “Large, sudden increases in minimum wages cause big increases in unemployment – look what happened in Ontario, with tens of thousands of jobs lost.”**

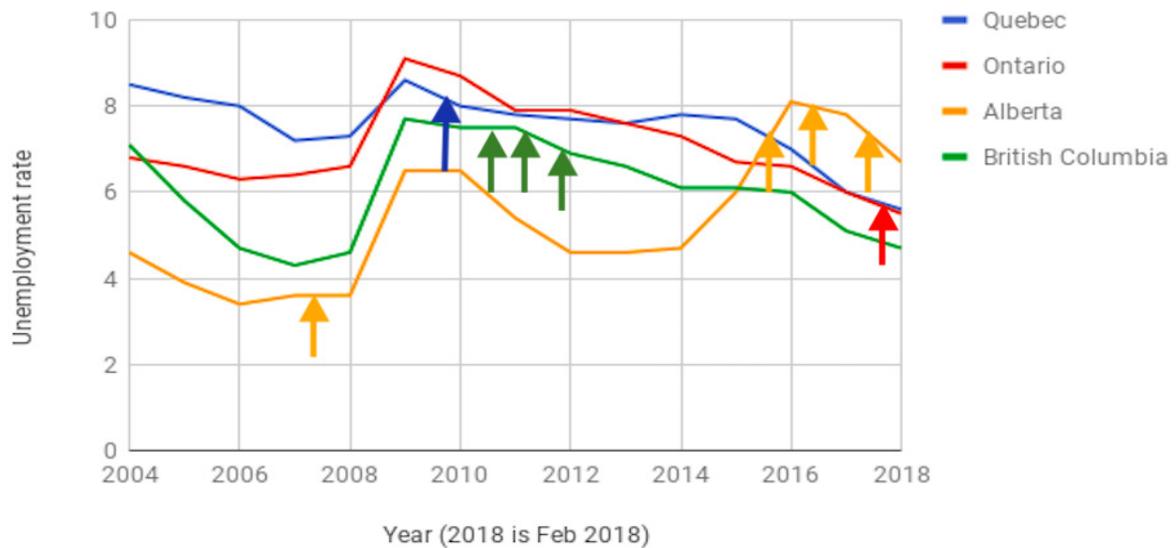
**Reality:** Recent large minimum wage increases did not result in significant increases to the unemployment rate. See the figure below with large increases in:

- Alberta 14% on September 1, 2007 (prior to the global financial meltdown), and 29.8% over October 1, 2015, October 1, 2016, and October 1, 2017;
- Quebec 12% on May 1, 2010;
- BC 28% over May 1 and November 1, 2011, and May 1, 2012; and
- Ontario 21% on Jan 1, 2018.

Ontario’s January 1, 2018 minimum wage increase was large — 21 per cent, from \$11.60 to \$14. In both of the two following months, unemployment decreased: by 4,000 in January, and by 6,000 in February.

This drop in Ontario unemployment took place while the overall Canadian unemployment rate increased, as often happens after the holidays are over. Ontario has the second-lowest unemployment rate in the country.

Unemployment rates and major minimum wage increases ↑



For more myth busters, details, and updates see [wearenl.ca/minimum-wage/](http://wearenl.ca/minimum-wage/)



**COMMON FRONT NL** is a broad based coalition of labour, social justice and community groups representing over 100,000 Newfoundlander’s and Labradorians. Together we represent the majority in our province who believe that despite the current fiscal situation, we can and we must have an economy that works for everyone, leaving no one behind.