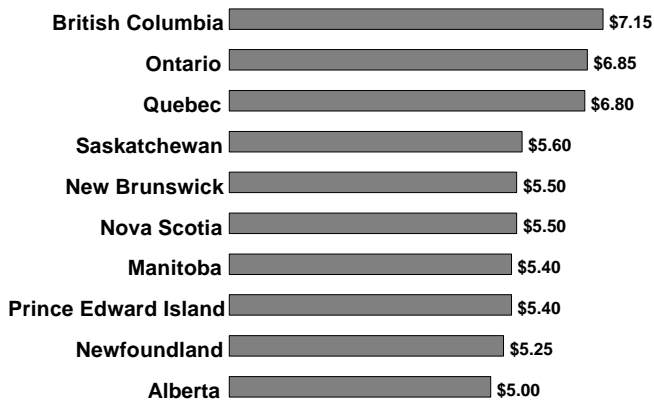


Earnings and Employment Trends ♦ February 1999

BC Youth and the Minimum Wage

British Columbia's minimum wage is currently \$7.15 per hour, the highest minimum wage in Canada.

1998 Minimum Wage Levels in Canada

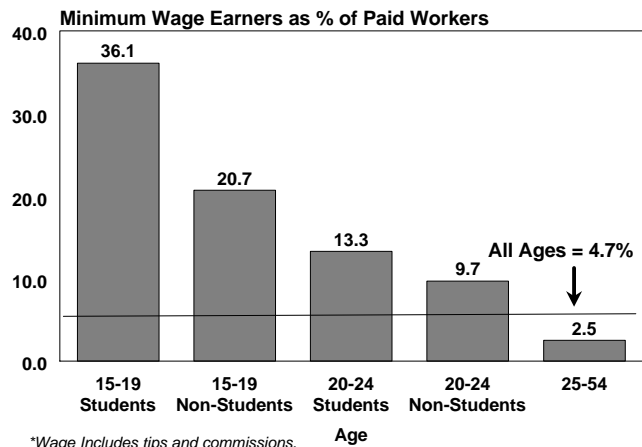


The minimum wage level in BC directly affects about 4.7 per cent of the paid workforce. The young, particularly full-time students, are most affected by minimum wage policy – one in four full-time students age 15-24 earn minimum wage.

In addition, there are also workers indirectly affected by the minimum wage level as some employers choose to maintain the differential between the minimum wage and what they pay their staff. Thus, an increase in the minimum wage level often results in an increase in the wages of other low wage earners¹.

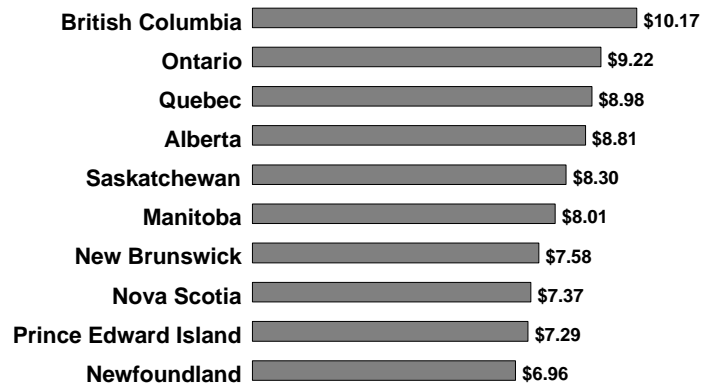
¹ In a study carried out on 1990 data, a further 11 per cent of 15-24 year olds earned less than \$.50 per hour above minimum wage.

BC Young, Particularly Students, Are the Ones Most Affected by the Level of the Minimum Wage*



Economic theory tells us that the minimum wage level could have a two-fold impact on low wage earners. On the positive side, a high minimum wage increases income levels for low wage earners. On the negative side, a high minimum wage may increase the unemployment rate if low wage employers hire fewer staff than they would if the minimum wage were lower.

BC's Youth* Earn the Highest Wages in Canada -- 1997/98 Average Hourly Wage



*Those under 25 Years of Age

BC's youth appear to benefit from the high minimum wage level in the province. The difference in wage levels of the young across Canada is highly correlated with the difference in provincial minimum wage levels (see chart on previous page)². While it is true that BC's adult wage level is also the highest in Canada, the earning power of BC youth still remains at the top, with the exception of PEI, when standardized by the adult wage rate. In 1998 BC's youth earned 55 per cent of the adult rate compared to 53 per cent for Alberta youth and 52 per cent for Ontario youth.

A relatively high minimum wage has a potential downside for youth. For example, employers may cut-back on minimum wage staff increasing the unemployment rate of youth. Also a high minimum wage may encourage older experienced workers to enter the workforce, causing increased competition for minimum wage jobs. This could result in new entrants of young workers to the labour force facing greater difficulty finding work.

There is no indication that the high minimum wage provinces have higher youth unemployment. BC's 1998 youth unemployment rate of 17 per cent is above the Canadian average but compared to its adult unemployment rate, BC youth are relatively better off than Alberta and Ontario.

This holds true for youth overall, but there are indications that 15-19 year old students in BC do face problems finding work. As shown in the chart on the pre-

vious page, 15-19 year old students are the group in BC whose earnings would benefit most from a high minimum wage. However, that benefit would be only for those who were able to find work. In 1998, BC students age 15-19 had one of the highest unemployment rates (23%) in the country, second only to Newfoundland.

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² The only real exception to this is Alberta which has the lowest minimum wage and yet youth in that province earn the fourth highest hourly wage rate in the country.