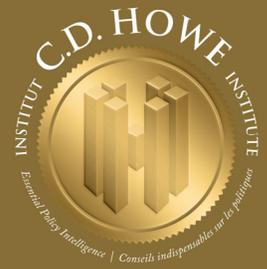


Intelligence MEMOS



From: Rosalie Wyonch and Colin Busby
To: The Ontario Minister of Labour, Kevin Flynn; and Concerned Ontarians
Date: July 11, 2017
Re: **THE GREAT MINIMUM WAGE DEBATE: HOW TO BALANCE GOOD INTENTIONS AND EVIDENCE**

The prospect of a \$15 per hour minimum wage in Ontario, as of January 1, 2019, has set off heated debate among politicians, business groups and experts. Two studies of Seattle's recent minimum wage increase from \$11 to \$13 per hour highlight two lessons: a need for incremental increases and evaluation.

[Supporters of the higher minimum wage](#) assert that increased purchasing power for low-income families will help boost economic growth. [One study](#), from researchers at Berkeley, finds no negative impact on employment in the restaurant industry following Seattle's January, 2016, increase.

Others assert that higher wages will result in job losses, raise prices and do little to help low-wage workers. A [study](#) by researchers at the University of Washington (UW), found reductions in hours for low-wage workers, resulting in a net loss, after wage increases, of \$125 per month. An earlier minimum wage increase (from \$9.47 to \$11 per hour) resulted in no employment effect. This result signals that the level and size of a minimum wage increase likely has implications for whether the gain in wages will be offset by lower job hours.

The UW study uses [detailed data](#) to look at hours worked and low-wage employees. It finds that workers in the non-restaurant sector saw a decline in hours worked. The Berkeley study looks at only the restaurant sector and does not focus on other low-wage workers. The two reports are surprisingly consistent in finding no employment effects in the restaurant sector. But they differ in which regions they use as a control group, that is, a comparator group not subject to the new policy, to examine the effects of wage hikes. The UW study used other parts of Washington state, while the Berkeley study used a basket of U.S. regions that resemble [Seattle's economy](#).

These are two of many studies on minimum wages. As a whole, they show a range of results, with many showing small to no effects on employment from small wage hikes while others show negative effects [among youth and new immigrants](#).

A further complication is that industries with the [highest concentration of minimum wage workers](#) are also the ones with [higher potential for automation](#).

So the research and the structure of the low-wage environment mean that no one can predict with confidence the exact effects from Ontario's aggressive move from \$11.60 to \$14.00 per hour next January, and then to \$15.00 per hour in 2019.

A more cautious approach would see the province ratchet up the minimum over four years instead of two, with a plan to evaluate the effects of increases at each step. This would minimize potential negative effects – for example on less buoyant rural economies – while remaining committed to the positive parts.

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