

# Intelligence MEMOS



From: Parisa Mahboubi  
To: Jason Copping, Alberta Minister of Labour and Immigration  
Date: June 6, 2019  
Re: **ALBERTA'S STUDENT MINIMUM WAGE**

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On June 26, Alberta will reduce its minimum wage for students under 18 from \$15 to \$13 per hour to improve youth employment and spur job creation.

But close examination shows this adjustment is unlikely to have any major impact on overall employment outcomes because of two main factors. First, the red tape around calculating and tracking eligibility will be a disincentive for some employers to take advantage of the measure. And, second, much student hiring will displace non-student young people from jobs.

It is well understood that minimum wage increases hit youth (15-24) harder than the rest of population. This is mainly because young people are less experienced and tend to have a part-time, low-paying jobs.

Overall, Alberta's minimum wage increase to \$15 per hour on October 1, 2018 had a larger negative impact on part-time employment of youth relative to other minimum wage workers. From September 2018 to April 2019, youth part-time employment dropped by 6 percent while Albertans aged 25 and over experienced a less than one percent decline. During the same period a year earlier, part-time employment increased for adults and decreased for young people by about one percent.

A decline in the minimum wage for only a subset of youth would likely encourage employers to consider replacing general minimum-wage workers with cheaper ones – students under 18.

The extent to which employers will make any such replacement depends on factors that include, but are not limited to, the level of experience and education requirements for the job, and the administrative complexity of variable pay between students and other workers paid at the minimum wage.

In general, youth, particularly teenagers (15-19), have the highest unemployment rate. This is likely because they do not have the skills necessary for finding employment and employers are reluctant to train them. That being the case, employers will likely consider replacing non-student young workers with students under 18, leaving the overall labour market outcomes for youth unchanged.

However, the complexity of the compensation scheme can be a factor that discourages employers to substitute students for their current non-student workers. The lower minimum wage rate for students in Alberta is conditional on a maximum of 28 hours worked in one week when school is in session, and reverts to \$15 for hours worked beyond that. During school breaks and summer holidays, employers can pay students at the lower rate regardless of how many hours worked.

Whether business owners respond to this minimum wage decrease for minors by creating more jobs overall is far from certain: the gain from hiring net additional youth may sufficiently outweigh the extra labour cost. However, employers may choose to benefit from the lower wage rate for students without adding a net position.

If Alberta sees the minimum wage of \$15 as an obstacle to youth employment and job creation, cutting the student minimum wage rate for one sub-group of youth, while increasing red tape, may not be an effective tool to increase employment overall.

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