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Minimum Wage Increases Benefit 50+

You would think that an increase in the minimum wage would mean good news for your younger siblings, not for your grandparents. But the reverse is true, according to HRM professor Tony Fang. Fang's article "The Effects of Minimum Wage Increases on Older Workers", published in last month's British Journal of Industrial Relations, explores how minimum wage increases have had a positive impact on the employment of older workers in Canada.



According to the study, older workers are a growing segment of the Canadian workforce - by 2021 the number of workers aged over 55 in Canada is supposed to grow to 20 percent. Older workers are more likely to continue to work or return to the workforce after retirement due to a variety of reasons, such as the shift from blue-collar to white collar work, the absence of mandatory retirement policies, and an emphasis on anti-ageism protocol in most organizations. Older workers are tending to phase into "bridge jobs" that pay lower than their primary occupation, or reenter the workforce into lower paying positions. These jobs are often in the service industry with part-time hours and/or short term contracts. In these types of positions older workers are more likely to be earning minimum wages and are more likely to feel the effects of minimum wage increases.

Fang's sample included data on 5, 695 individuals aged 50 and up over a span of six years (1993-1999). During that time 24 minimum wage increases occurred in provinces across Canada. He found that older workers affected by minimum wage increases were more likely to remain employed in the following year, compared to workers in other provinces who were not affected by a minimum wage increase. This is surprising; since minimum wage literature on youths indicates that an increase in the minimum wage either has negative or zero effects on their employability. By comparison, Fang's data found that older workers whose wage was affected by a minimum wage increase were 14% more likely to remain employed the following year. Why would an increase in the minimum wage have such a statistically significant and positive effect on the employment of older workers?

This is the theory provided by Fang: if employers had to substitute less productive workers with more productive workers in the event of a minimum wage increase, they would be more likely to hire older workers. Teenagers arguably have less skills and experience, and are hence less productive than their older counterparts. Older workers are more likely to work at minimum wage jobs in order to supplement their retirement income, to phase into retirement or to simply remain occupied, rather than for the pay.

Tony Fang is a professor of Human Resource Management and Industrial Relations at York University, and is also a research associate with the Centre for Industrial Relations and Human Resource Management at the University of Toronto. He is also a Domain Leader at the CERIS- Ontario Metropolis Centre and a research associate at Centre for Research on Work and Society, York University. His research interests include compensation, high performance workplace practices, retirement policy and the ageing workforce, education, immigration, minimum wages, innovation and firm growth, pay and employment equity. Fang has also published a research article on the effects of minimum wage increases on youth, titled "Minimum Wage Impacts on Youth Employment Transitions", in the Canadian Journal of Economics.