

Study: The ups and downs of minimum wage, 1975 to 2013

Released at 8:30 a.m. Eastern time in *The Daily*, Wednesday, July 16, 2014

In 2013, the average minimum wage in Canada amounted to \$10.14 per hour. The 1975 minimum wage translated into 2013 dollars (that is, the real minimum wage) was almost identical at \$10.13.

In this release, the real minimum wage for Canada is a weighted average of the provincial minimum wages, expressed in 2013 constant dollars to account for inflation.

Although the real minimum wage in Canada was nearly identical in 1975 and 2013, it varied between these two years.

Between 1975 and 1986, the real minimum wage declined from \$10.13 to \$7.53, before increasing to \$8.81 in 1996. Up to 2003, the real minimum wage remained stable at around \$8.50.

Since 2003, the real minimum wage increased by almost two dollars, from \$8.27 in 2003 to \$10.14 in 2013. All provinces saw increases in the real minimum wage over that period.

Recent increases in the ratio of minimum wage to average hourly earnings

When looking at changes over time, the minimum wage is sometimes expressed as a ratio of the average hourly earnings. The value of the average hourly earnings can vary, depending on the source and type of employees covered in labour surveys.

One commonly used source for long-term wage trends is the average hourly earnings of employees paid by the hour in the Survey of Employment, Payrolls, and Hours.

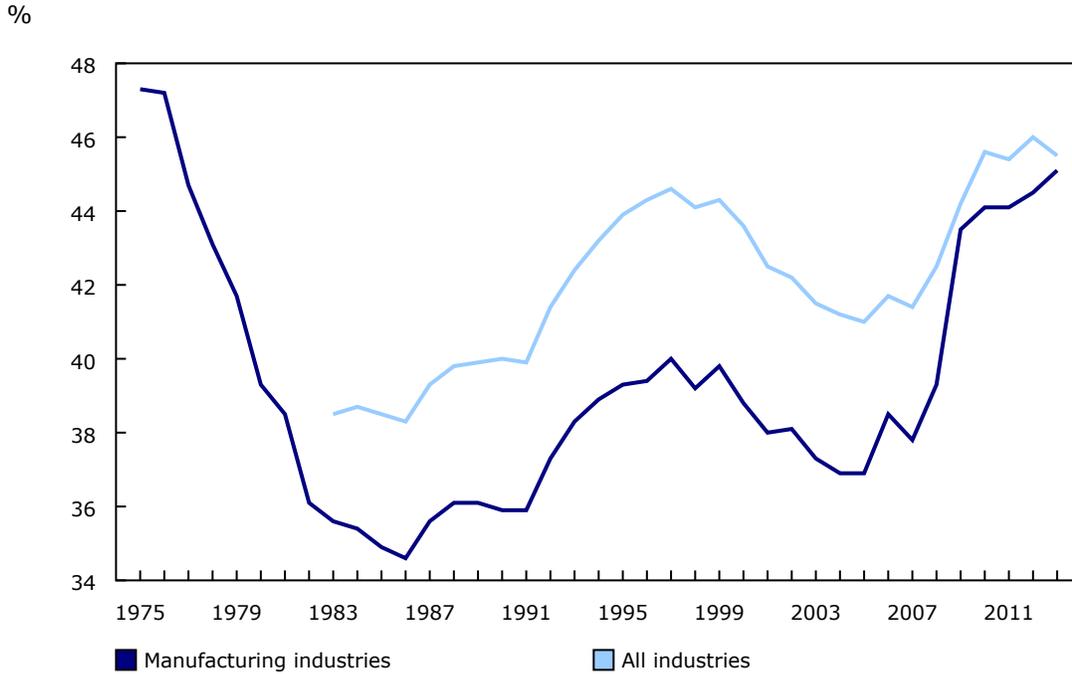
In 2013, the average hourly earnings of employees paid by the hour in this survey amounted to \$22.27. This means that the average minimum wage corresponded to 46% of the average hourly earnings.

In recent years, the ratio of the average minimum wage to average hourly earnings increased from 41% in 2005 to 46% in 2013. This is because the average minimum wage rose faster than the average hourly earnings (in constant 2013 dollars).

Prior to 2005, the ratio fluctuated between 38% and 45%. These changes were mainly the result of variations in the real minimum wage, since the average real hourly earnings varied little over the period.



Chart 1
Ratio of average minimum wage to average hourly earnings



Note(s): Data for 1975 to 1982 are not available for "all industries." See note to readers.

Similar trends were found when the real minimum wage was expressed as a ratio of the average real hourly earnings of paid employees in manufacturing industries, which could be examined over a longer period (see note to readers).

In 2013 dollars, the average hourly earnings of employees in manufacturing industries remained stable throughout the whole period at around \$22.

Long-term comparisons with the average hourly earnings in manufacturing industries indicate that the ratio is now similar to levels that were seen in the mid-1970s.

Rising share of employees earning the minimum wage

Another source of data, the Labour Force Survey, can be used to determine the proportion of paid employees earning the minimum wage.

In 2013, the proportion of all paid employees earning the minimum wage was 6.7%, up from 5.0% in 1997. Most of the increase took place between 2003 and 2010.

To some degree, the increase in the proportion of minimum-wage employees during those years was the result of increases in the minimum-wage rate in many provinces.

This is because a portion of those who were paid just above the former minimum rate became paid at the new, revised rate and joined the group of minimum-wage earners.

For example, the proportion of young employees aged 15 to 19 who were paid the minimum wage rose from 30% in 2003 to 45% in 2010. At the same time, the proportion of those who were paid a rate between the minimum wage and 10% above the minimum wage declined from 31% to 21%.

Young employees most likely to be paid at minimum wage

Young employees, less educated employees, part-time employees and those working in service industries were most likely to be paid at minimum wage.

In 2013, 50% of employees aged 15 to 19 years old were paid at minimum wage. Among those aged 20 to 24, the rate was 13%.

Among those who had less than a high school degree, one in five employees was paid at minimum wage in 2013.

The proportion of paid employees at the minimum-wage rate was 17% in retail trade industries and 27% in accommodation and food services industries. Together, these two industries accounted for more than 60% of all employees earning the minimum wage in 2013.

The proportion of employees paid at minimum wage also varied by province in 2013, led by Prince Edward Island (9.3%) and Ontario (8.9%). Alberta had the lowest rate at 1.8%.

The minimum wage rate hovered around \$10 in all provinces in 2013.

Note to readers

In this study, data from the Labour Force Survey and the Survey of Employment, Payrolls, and Hours (SEPH) are used to examine the evolution of the minimum wage in relationship to average hourly earnings, and the proportion of paid employees at minimum wage.

In the SEPH, information on all employees paid by the hour is available for all industries since 1983. Prior to 1983, the survey did not cover small businesses with less than 20 employees. Comparisons with manufacturing industries extend to the period before 1983 because this industry had a smaller proportion of individuals employed in small businesses.

Minimum wage data for each province over the period 1975 to 2013 have been collected from Employment and Social Development Canada. The national minimum wage corresponds to the average of provincial minimum wages, weighted by the number of employees in each province. All values for the minimum wage are expressed in 2013 dollars.

Definitions, data sources and methods: survey numbers 2612 and 3701.

The article "The ups and downs of minimum wage" is now available online in *Insights on Canadian Society* (75-006-X). From the *Browse by key resource* module of our website, choose *Publications*.

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