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Determining Factors of Minimum Wages in the Provinces of Canada

During the last few years, mainly encouraged by the works of Carter and Kim (1997), different articles regarding the impact on employment of the legislation of minimum wage have surfaced. This interest on how minimum wages impact employment naturally leads to a different question: What are the factors that determine the actual minimum wage requirement? Regardless of the ubiquity involving the legislation on minimum wage, this question has further received minimum attention. One potential reason behind this is that because in the United States, the minimum wage is legislated right at the federal, instead of being in the state level of the government. Since there are occasional changes to the federal wage, most studies in the US have been limited to involving cross-sectional studies which focuses on the way the characteristics of the states, as well as well as the affiliation of the legislators, have an influence on the vote of the changes proposed for the federal minimum wage. (Silvester and Damon, 1972). Since the minimum wage in Canada is under the provincial, and not the federal coverage, there has been a substantial level of variation when it comes to the timing and level of changes involving the wage across the provinces, thus giving the opportunity to further explore on a relatively rich data set panel.

As previously noted, studies have typically been cross sectional, examining on the variables that influenced the congressional voting towards increasing federal minimum wage. For instance, Bulb (1995) connects the levels of state wage with that of the proportions covering unionized employees, and the votes of the senators to amend the Federal Labor Standards Act of 1977 and 1989. For every year, he only found that the union variable has increased the possibility of achieving an in-favor voting. An earlier contribution also involves the examination of the votes of the congressmen for the amendment in order to potentially increase the minimum wage. By using variables coming from each of the congressional district, they have discovered bigger political contributions by larger proportions and unions involving low-income families, increasing the probability of attaining an affirmative vote.

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Also, bigger campaign contributions coming from smaller businesses, as well as larger proportions of the inclusion of teenage workers have reduced this probability. This study was further expanded with the analysis that involves five different cross sections, and five legislated increases for the federal minimum wage for the years 1949 to 1974. They have also discovered that relatively higher state wages, together with a percentage of the liberalism of a congressperson were always associated positively and connected with the votes, while the percentage involving the blacks within the state was related negatively. However, these factors were not proven to be significant in all of the cross sections.

More recently, Bulb (1995), has further explored on the support that both the House and the Senate has provided. He discovered a number of variables that represent some small businesses, as well as low-wage earners have decreased their support for the passing of the bill. In order to expect and anticipate potential problems in the future, Bulb focused on the need to make sure that only the variables that are considered as ambiguous should be looked into, but also the factor that workers may support rationally, or oppose the increase in minimum wage, depending on whether the job loss is also expected.

In contrast to the situation in the US, Canada offers better opportunities when it comes to studying variations involving minimum wages across time and jurisdictions. Therefore, it is quite surprising that the only available study examining the minimum wage determination of Canada is not as complete as expected.

References

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