



Presentation to the Fair Wage Commission

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Madame Chair and fellow Commission Members:

My name is Colleen Clark and I am the Executive Director of the Greater Langley Chamber of Commerce. Joining me today is our Community Director, Frank Bucholtz.

The Greater Langley Chamber of Commerce is the largest and most broadly-based business organization representing the views of over 1,000 businesses in both the City and Township of Langley, the majority of whom are small businesses.

Thank you to the Fair Wage Commission for this opportunity to share what's on the mind of Langley's small businesses when it comes to the proposed minimum wage changes. And let me say right from the start: The Greater Langley Chamber of Commerce is NOT opposed to the minimum wage going up – but we have concerns around it going up too quickly. If increased drastically and quickly it provides a level of uncertainty and unpredictability in labour costs.

For decades, small businesses and entrepreneurs have been lauded as the backbone of the economy, held up as examples of the innovative, creative and entrepreneurial British Columbian spirit, praised for their role in economic growth, job creation, and prosperity, even during tough economic times like we saw back in 2008.

Small business owners face their share of challenges though, including the many long hours to get their business off the ground to risking the family home to make their passion a success. Most recently, the federal government decided to change some of the very tax rules that helped small business owners take a little bit of the risk out of their business that would help them grow, while preparing for their own retirement. Those proposed federal tax changes have led to tremendous uncertainty – and the ground is shifting greatly under small businesses in Canada as we speak.

Historically, minimum wage was as a mechanism to protect the most vulnerable workers from exploitation. It must be remembered that this was at a time when people had little to no recourse for unfair work practices and – in fact – many of the people who were looking to be protected were not even franchised, so the early minimum wages were introduced to protect women and children.

The fact that this is no longer our reality has led to a shift in the conversation around minimum wage rates. We now have a situation where proponents of significant increases to the minimum wage are now attempting to link increases as the sole remedy for reducing poverty and affordability.

From the business community perspective – minimum wage is just ONE TOOL in the kit (and perhaps not even the best one) in the fight against poverty.

Today, minimum wage is very much an entry level – or training – wage especially for younger and lower skilled workers who can (with hustle and hard work) skill-up on the job and progress toward B.C.'s average wage of \$25 per hour and beyond.

It is important to note who earns the minimum wage. BC has a low percentage of the paid workforce earning the minimum wage. In B.C., only 4.8% of the paid wage earners receive the minimum wage, which is significantly below the national average of 6.8%

More important than the number of workers who earn the minimum wage is the situation of those workers who earn the minimum wage. Of the people who earn the minimum wage in 2016 we saw that:

- 59% were part time workers
- 6% were defined as head of the family or household
- And, 53% were youth living at home (and just over half of this last cohort were attending school)

That last figure is particularly important. As we see in some of the literature around impacts, lost jobs or reduced hours due to rapid minimum wage increases are usually felt by younger workers looking to build their skills.

For those workers who are “heads of household” or those whose primary income is at the minimum wage, we recognize that leads to real and material concerns around poverty and the challenges associated with that state when it comes to accessing basic food and shelter. This places significant burden on individuals, families, communities and government services.

For the head of household minimum wage earners, government should investigate better ways to improve their take home pay beyond an artificial minimum wage by:

- Trying to ascertain why this group of employees remain on minimum wage;
- Identifying barriers that need to be overcome be it language, disabilities, transportation, or standards that address unequal treatment in the workplace
- Increasing skills training and offer further incentives to unskilled workers to get training, especially in sectors where there are labour shortages
- And, finally, by looking at further increasing basic income tax exemptions.

B.C. has seen a significant shift in the minimum wage over a last several years. Since 2011, the government has increased the minimum wage 6 times going from \$8 to \$8.75 in May 2011, \$9.50 in November 2011, \$10.25 in May 2012 to \$10.45 in September 2015 and finally to \$10.85 and then \$11.35 in September 2016 and 2017 respectively.

What does stability, predictability and certainty look like within the current discussion of increasing the minimum wage to \$15 per hour?

And I would like to reiterate, the Greater Langley Chamber of Commerce isn't here this morning to oppose the \$15 per hour minimum wage.

However, we are here to discuss how to achieve the stated \$15 per hour goal with minimal disruption to the provincial economy. The Greater Langley Chamber has always been clear, small businesses struggle to accommodate large, unplanned increases to the minimum wage that also lead to increases in wages up the scale – in what is known as the “ratchet effect” – as higher skilled employees expect to be paid more than the minimum wage.

Business needs time to adjust to the higher labour costs that come from increasing the minimum wage. Many businesses – especially those in the hospitality and retail industries – already operate on slim profit margins. There is a point of no return where the cost of doing business eventually outweighs the benefit of doing business.

Large, rapid increases will impact small businesses, which end up impacting the employees they hire. Every business owner knows when their costs increase, tough decisions are always faced. Many will consider the following:

- Do I reduce the hours of certain staff?
- Do I have to consider layoffs?
- As the owner, do I have to work longer hours to cover the time where I now can't afford to pay staff?
- Do I have to increase the prices of my goods that might now send customers to my bigger competitors and further challenge my business?
- Many owners will consider the option of closing if their model becomes too challenged from a cost perspective.

From the Greater Langley Chambers perspective, the goal is to establish rates of increase that are predictable and affordable for business. When one averages out all the increases to date between 2011 and 2017, the average increase to minimum wage works out to roughly 6.7% annually. If we follow this target number to achieve \$15/hr – and for certainty sake we would strongly recommend only yearly wage increase – then \$15 can be achieved by 2022. This would allow businesses to plan, adapt and adjust to changes

As for stability, the best way to achieve this result is to depoliticize the process. We need a plan in place that everyone knows and can work with. The provincial government should work with their provincial counterparts to institute a mechanism where there is consultation on any proposed changes to individual province's minimum wage levels. While it is unrealistic to expect we might achieve total coordination, or harmonization, of minimum wage levels it should be recognized that decisions on minimum wage levels have inflationary pressures on other provinces wage levels.

And finally, when it comes to achieving certainty – once \$15 is achieved – the Greater Langley Chamber of Commerce would like to see further annual increases tied to CPI.

The introduction of a link to CPI for increases going forward provides a level of certainty and predictability to businesses that allows them to plan and ensures that they will face no large, unforeseen increases in their labour costs.

I can tell the Commission this point is absolutely on the minds of our members.

I would like to again thank the Fair Wage Commission for this opportunity to speak on this important issue. I look forward to answering any question you may have.

Thank you.