



Atlantic Chamber
of Commerce
Representing business since 1896

Chambre de commerce
de l'Atlantique
Représentant les affaires depuis 1896

January 9, 2017

The Honourable Brian Gallant
Premier of New Brunswick

Via email

Dear Mr. Premier,

We noted with interest the outcomes of the most recent meeting of the Council of Atlantic Premiers. The Atlantic Chamber of Commerce, being a voluntary association of chambers of commerce across our region, recognizes the value of working together to achieve efficiencies and avoid wasteful duplication. Nowhere are these values more important than in Atlantic Canada with its dispersed population split across four distinct economies.

As member of the advisory committee on red tape reduction, our organization continues to work with your staff to identify initiatives that will reduce the cost of government compliance and barriers to operation of business in more than one province. We strongly support the achievements to date and your commitment to conclude outstanding issues related to the Canada Free Trade Agreement and new opportunities under the Atlantic Red Tape Reduction Partnership.

We will be pleased to offer our assistance in support of efforts to harmonize technical safety legislation in all four provinces. However our members are concerned regarding your stated commitment to harmonize minimum wages across provinces. We believe this measure will not provide a net benefit to either businesses or our economy.

The communique purports that a harmonized minimum wage will provide employees and employers with predictability and consistency across the region. The predictability and consistency that employers desire is transparent regulation of annual increases in reference to a benchmark like the consumer price index and adequate advance notification that conforms with business planning horizons.

We are concerned that the national discourse on providing a *living wage* is influencing governments to address poverty with a fiscal instrument not designed for this purpose. The reality is that only 20% of minimum wage earners are members of families subsisting below the poverty line, and an economy wide increase to minimum wage will increase the wage scale of all employees.

Allowing minimum hourly wages to increase across the region will significantly reduce the profitability of low-margin businesses which employ students and low-skilled individuals. There are

essentially two options for such employers: raise prices or reduce employment by creating more part-time positions or replacing employees with technology. Plus, these individuals are unlikely to have the resources to relocate to jurisdictions with higher wages.

Poverty needs to be addressed, but not by decreasing business competitiveness. The issue is much broader than that. Ideally, government should increase efforts to improve attainment levels in public schools, increase housing and daycare support for the most vulnerable, and focus fiscal initiatives toward income subsidies like low-income tax credits and sales tax rebates. We strongly support the approach Nova Scotia has adopted in raising the basic personal exemption as this kind of measure has a better chance of directly improving the living conditions of low-income earners without adding to inflation and reducing growth.

We refer you to the attached policy position developed by the Atlantic Chamber of Commerce. Our organization is unique in its connection to both communities and businesses across Atlantic Canada. We urge you to reconsider, and fully analyze the impact of minimum wage harmonization as committed to in the Premiers' charter of principles for regulation. Under such a lens we hope you will agree that this initiative would be harmonization for harmonization sake, without benefit to employees and certainly not our economies.

Sincerely,

Sheri Somerville
CEO, Atlantic Chamber of Commerce

Cc:

The Honourable Dwight Ball, Premier of Newfoundland and Labrador
The Honourable Stephen McNeil, Premier of Nova Scotia
The Honourable Wade MacLauchlan, Premier of Prince Edward Island
The Honourable Gilles Le Page, Minister of Labour, Employment and Population Growth
The Honourable Al Hawkins, Minister of Advanced Education, Skills and Labour
The Honourable Labi Kousoulis, Minister of Labour and Advanced Education
The Honourable Sonny Gallant, Minister of Workforce and Advanced Learning



\$15/Hour Minimum Wage Legislation

ACC Position

The ACC opposes increases in the minimum wage beyond what is justified by economic conditions. Increases in minimum wage impose economy-wide increases in operating costs, reduce competitiveness and jeopardize the positions of vulnerable unskilled workers. The issue of reducing poverty requires measures which directly address low-income earners through tax credits and targeted education and housing initiatives

Issue

The call from anti-poverty advocates for a \$15/hour minimum wage is growing across the country forcing provincial governments to respond. History shows their responses are often based on political rather than economic considerations.

Current Wage Rates in Atlantic Canada

Province	\$/hour	Effective Date	Increases	Basic Personal Exemption 2018
New Brunswick	\$11.00	April 1 2017	Adjusted annually based on CPI	\$10,043
Newfoundland & Labrador	\$11.00	Oct 1, 2017	Committee recommendations	\$9,247
Nova Scotia	\$10.35 \$10.85	April 1, 2017	Adjusted annually based on CPI	\$11,481
Prince Edward Island	\$11.25 \$11.85	April 1, 2017 <i>April 1, 2018</i>	Annual review based economic data & public input	\$8,320

In comparison, western and northern territories have much higher exemptions – AB (\$18,451); SK (\$15,843); and NWT (\$14,081)

Why it is important

- Provincial economies in Atlantic Canada have historically underperformed the national average and are characterized by above average seasonally-adjusted unemployment. Labour oversupply normally implies a lower cost of labour.
- Overpaying for labour motivates businesses to investigate process technology options, especially for low-skilled, low-wage positions. Differentials can be accounted for by lower cost of living in different regions of Canada.
- The Atlantic Canadian companies cannot improve their competitiveness if governments artificially distort the cost of labour. Minimum wage increases have far outpaced increases in median incomes across the region.
- Minimum wage legislation was never intended as a means of reducing poverty, and has never conclusively been proven to accomplish this.

- Most, if not all businesses cannot absorb significant increases in labour cost without reducing the number of hours worked or the number of employees.
- Youth unemployment will be exacerbated by the disappearance of entry level, career-building jobs. Evidence show a 10% increase results in a 3 to 6% loss of employment.
- Minimum wage increases do not get applied in isolation. An increase in wage to low-income earners is accompanied by an increase in wage to all wage earners. Wage parity remains, but the cost of goods and services increase.
- Due to competitive pressures, employers cannot normally pass along the entire increase to their customer without impacting sales. Absorbing the increase reduces the profitability of the company, limiting the company's ability to grow and create employment.
- Reducing costs imposed by government on business frees up resources that can be reallocated to support more hours for low-income earners.

Fallacies of the \$15/hour Living Wage Position

- Only 12.5% of minimum wage earners live in low-income cut-off households.
- Minimum wage is not a life-sentence, 80% of minimum wage earners' salaries increase within two years.
- Increased spending by low-income earners will be offset by jobs losses and higher unemployment.
- Increasing wages faster than the Consumer Price Index contributes to inflation, price increases will not be offset an increase in purchasing power of low-income earners.
- Higher wages do not automatically equate to improved productivity, if wages or technology cost a dollar more an hour, it is still a \$1.00 increase in labour costs that eventually comes from the pockets of consumers.

Recommendations

The Atlantic Chamber of Commerce recommends that provincial governments:

- Avoid substantial increases to the provincial minimum wage.
- Adopt a predictable and consistent method of calculating increases to the provincial minimum wage and provide reasonable lead time in announcing annual increases.
- Focus attention on measures to create economic growth and job creation by reducing barriers to business growth. Improving the business climate creates economic wealth.
- Adjust low-income supports such as personal exemptions, tax credits, subsidized day care and skills development.
- Fully analyze the impact of increased labour costs on competitiveness, productivity and employment and the growing use of new technology.
- Harmonize and index basic personal exemptions.
- Harmonize low-income tax credits to increase minimum tax threshold.