



\$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.

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- 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.