
THE VOICE OF BUSINESS

November 12, 2015

Honourable Lori Sigurdson
Minister of Jobs, Skills, Training and Labour
Government of Alberta
403 Legislature Building
10800 - 97 Avenue
Edmonton, AB T5K 2B6

Dear Ms. Sigurdson,

RE: MINIMUM WAGE FOLLOW UP

On behalf of the Medicine Hat & District Chamber of Commerce Board of Directors and our over 750 members we serve, thank you for the opportunity for our Chamber to meet with you on September 24, 2015. The dialogue was appreciated; the conversation productive and certainly we look forward to continuing our solution based collaborative process to the concerns that arise within our region and province.

There has been much development in Medicine Hat over the last five to ten years with a much stronger focus on diversification in our economy and plans that must support that initiative. We are proud of the advancements within our newly formed Destination Marketing Organization, who has been focused on tourism development and experiential immersion in our community. Our newly formed economic development entity, Invest Medicine Hat, is focused on investment within our region and looking to build and diversify our local economy. This would include diversity in alternative energy, high tech, micro-brewing, wind power, value-added agriculture and manufacturing, as well as food processing. The Medicine Hat College is focused on future proofing, sustainability and working with the business community towards matching education with employment, as well as applied research opportunities. We have also been very privileged to have several infrastructure projects move forward within the last couple of years adding to our local economy. This includes a \$5.3 million airport expansion, an \$8 million investment into our Cultural Centre, \$7 million towards a detoxification and treatment centre, \$21 million towards a police station expansion, \$36 million towards an expanded leisure centre, \$74 million towards a new event centre and \$220 million towards our regional hospital expansion. This is in addition to the highway and road improvements, including infrastructure investment into our bridges and a new overpass on Highway #1. We are also very pleased to have investment in our school infrastructure and ongoing work for our berms to protect us during flood seasons.

With this foresight and planning, Medicine Hat is well positioned to welcome increased diversification in our economy and look forward to the partnership of the Province in positioning our region and our province for growth.

We would be happy to promote further programs such as existing programs like the Canada-Alberta job grant, in addition to more recently announced programs such as the Summer Temporary Employment Program, the job creator's tax credit and the access to capital funding announced with the introduction of the 2015 Budget. We request to stay apprised of the application processes and details of the newly announced programs once these are made available.

However, as you know there is still a growing concern regarding Minimum Wage. We do appreciate the phased approach and the consultative process and we look forward to continuing along this collaborative path in a means to find solutions that work for all. We have committed to continuing to assess and measure the impacts with true results and data to support the information as we move forward. Our goal is to ensure that we look beyond the reports that support both sides of the issue and look towards the impacts in our province and in our communities, to the people that support this province.

As we mentioned at this meeting, we held a Minimum Wage Roundtable with our business community on September 23rd and started collecting the impact stories, which are enclosed for your review. Our hope is that this government will evaluate the impacts and ensure they remain informed of the unintended consequences that may occur. An open mind will open the realm of possibility, will allow us all to consider other alternatives, will encourage change that is beneficial to all Albertans, will allow us to have greater collaboration and find ways to collectively solve the challenges faced in this economy and will challenge us to be more inquisitive in our efforts to find an Alberta-based solution.

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We must look at our provincial assets, as well as our differences. Even assessing the Living Wage within our province shows distinct differences between an Edmonton Living Wage of \$17.36 and Medicine Hat's Living Wage of \$13.00: <http://livingwagecanada.ca/index.php/living-wage-communities/alberta/>. Additionally, we can't compare ourselves to the United States, as there are different levels related to living wage there as well: <http://livingwage.mit.edu/>.

Our letter of June 15th outlines implementing the wage in a manageable way and there are solutions that can address the wage distortion between high wage and low wage earners. A 2010 Quebec study shows that indexing the minimum wage to 40 per cent of the provincial average helps those at the lower end of the income scale, without putting companies out of business. As the minimum wage gets closer to 45 per cent, the job losses start.

It is agreed that increasing the minimum wage is not the sole solution to addressing poverty. Additionally, it is felt that by increasing the minimum wage, the goal post on the poverty line will just be moved, as some of the impacts to increasing minimum wage will be increased costs in goods, services, housing and other items due to the cost recovery required. Businesses will also begin to look at employment reduction in methods such as automation, layoffs, change in service delivery, etc.

For many of the reasons documented during the June 11th session, our recommendations include solutions to not only address the goals of Government, but also satisfy the needs of small business. We recommend the Government of Alberta:

1. Evaluate after tax income, rather than gross income and minimum wage. Rather than looking at the hourly rate of pay, evaluate what a family requires to have a living wage. From there income supports can be assessed to ensure every family has the necessary amount of income that they take home after expenses. This may include child care subsidies; raising the tax threshold so that individuals are tax exempt from provincial income tax below a certain income tax bracket and looking at working income credits and child tax credits similar to the federal programs. If \$15 per hour is the desired rate of pay, that would equate to an annual income of \$30,000 based on a 40 hour work week at 2,000 hours per year. Instead of working from a minimum wage level, work from the reverse and start at what a family needs for a living income, rather than a living wage. This then addresses the primary issue of poverty, without moving the baseline of minimum wage beyond what is sustainable for business.
2. Consider other factors in the after tax income such as employer paid benefits. A minimum wage rate does not take into consideration the compensation that an employer is providing beyond just a wage rate. This may include health care benefits, child care options, meals, etc, that assist in providing an employee a higher take home pay. Many employers assist with other benefits that the employee does not have to pay for out of their income. These benefits may be reduced or eliminated if wage rates are substantially increased.
3. Assess the 'living wage' rates in the various regions, as well as the cost of living expenses. Just applying a baseline \$15.00 per hour minimum wage will disadvantage some communities, as it may be higher than their 'living wage'. For example in the 2013 Poverty Reduction Report in Medicine Hat, the living wage was \$13.00 per hour, whereas a similar report done in Edmonton placed their living wage at \$17.00 per hour. For this reason, regionality needs to be considered in any model selected.
4. Consider an age differential, as those under 18 may not be at the same wage scale or skill level as those who have graduated from high school or post-secondary and also may not have the same poverty concerns as those supporting themselves or their families.
5. Consider other blended solutions to address wage rate such as providing education supports for individuals living in poverty to gain the skills they require for advanced employment opportunities and higher wage rate positions.
6. Consider a grant, incentive or bridging measure for businesses such as an employee retention credit or hiring credit to assist in absorbing the unanticipated increased costs, if significant wage rates are implemented beyond the consumer price index formula.
7. Evaluate National Occupational Classification (NOC) codes to determine wage rates by region and occupations and whether NOC code wage standards can be applied as an alternate model.

One concern has been that Alberta has the lowest minimum wage in Canada, however if the after tax income is used as the comparable, we are ranked second highest minimum wage earners amongst provinces. With this in mind, after tax income must be considered alongside minimum wage rates as well.

We need to ensure that an evaluation on the economic impacts of industry is conducted, as well as the impact of lost opportunity regarding businesses choosing not to locate their business in Alberta because it is no longer competitive nationally or internationally in labour costs. The government will also need to assess impact on youth employment; overall employment/unemployment; business closures due to increased costs; impact on poverty reduction; cost of living impacts such as housing, child care and food costs; costs related to government sector/public sector wage increases and the overall implications on taxation levels from increased provincial and municipal labour costs; impact on accommodation rates and net impact on tourism; business bankruptcies;

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employment levels for vulnerable and underrepresented Albertans such as aboriginals and people with disabilities; and impacts on post-secondary enrollment due to those choosing to work rather than completing additional education. Additionally, there will need to be an evaluation on impacts to the not for profit and charitable sectors in potentially decreased support as businesses look at ways to controls costs.

We acknowledge the goals of Government to reduce poverty in our province and agree that it is a very worthwhile cause. We do know that there are greater recommendations and solutions to the problem that we are looking to resolve and we would like to work with government to find solutions that still achieve those goals of Government, while still acknowledging the concerns and challenges of businesses.

There was also dialogue about changes within OH & S in the Agricultural industry and we encourage the government to conduct a robust dialogue with industry in this regard prior to any recommendations coming forward.

We would welcome you to come to Medicine Hat to present to the Business Community in our region and meet with leaders from the various sectors of our community. If you have any questions or would like to schedule a consultation, roundtable, event or meeting, please contact our Executive Director, Lisa Kowalchuk at 403-527-5214 ext 222 or at lisa@medicinehatchamber.com. Thank you for your consideration and for the opportunity to meet with you.

Sincerely,



Khrista Vogt
President
Medicine Hat & District Chamber of Commerce

Enclosure

cc: Robert Wanner, Medicine Hat MLA
cc: Drew Barnes, Cypress-Medicine Hat MLA
cc: Andre Corbould, Deputy Minister, Jobs Skills Training and Labour
cc: Peter Leclaire, Assistant Deputy Minister, Advanced Learning and community Partnerships Division
cc: Steve Stringfellow, Chief of Staff, Office of the Minister
cc: Ken Kobly, President & CEO, Alberta Chambers of Commerce