
THE VOICE OF BUSINESS

February 12, 2016

Honourable Christina Gray
Office of the Minister of Labour
404 Legislature Building
10800 - 97 Avenue
Edmonton, AB T5K 2B6

Dear Ms. Gray:

RE: MINIMUM WAGE

On behalf of the Medicine Hat & District Chamber of Commerce Board of Directors and our over 700 members we serve, congratulations on your recent appointment to cabinet as the new Minister of Labour and Minister Responsible for Democratic Renewal.

We were pleased with the opportunity to participate in the June 11, 2015 Minimum Wage consultation hosted by Minister Sigurdson and a subsequent meeting with her on September 24, 2015 and we look forward to continued dialogue with you in your Ministry.

On May 29th, our Chamber submitted a letter with our formal policy regarding minimum wage for consideration and a subsequent letter on June 15, 2015 summarizing our responses to the following questions:

1. How do we best implement the increase to \$15 per hour by 2018 in a phased/manageable way? What should the first increase be?
2. What is the best approach to phasing out the liquor server rate?
3. What economic and social indicators should we consider to determine the effects of increasing the minimum wage to inform future adjustments?

We submitted an additional letter on November 12, 2015 summarizing our findings from a minimum wage consultation that we hosted with industry representatives in September. We have enclosed each of these documents for your reference.

As this is a priority and a significant concern for businesses in our region and across the province, particularly in light of the economic conditions Alberta is currently experiencing, we wanted to emphasize some of the notable points for your response.

From discussion and analysis of reports and data, the primary goal in increasing the minimum wage is to address those living in poverty and to ensure that the Government is supporting basic human dignity. We support this endeavour, but do feel there are other ways to address the concern that have greater impact, without posing greater challenges to business within this time of economic uncertainty and instability.

Increasing the minimum wage increases wages across the board, as it is essentially increasing the baseline wage standard. Rather than addressing the percentage of the population that requires assistance, it is imposing a much greater burden on business with unintended consequences that are harder to reverse.

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 have already begun looking at employment reduction in methods such as automation, layoffs, change in service delivery and hours of operation.

For many of the reasons documented during the June 11th session and our summary of June 15, 2015, 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

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- 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, accommodations, 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 that Government has relayed is that Alberta has had one of the lowest minimum wage rates in Canada, however if you look at after tax income, we are ranked second amongst provinces. As such, we are requesting that when evaluations are done on income level comparisons, it must be evaluated based on after tax income, alongside any minimum wage rate reviews.

We request that the wage rate be analyzed before further commitments are made for increases to ensure that we are addressing the primary issue, rather than just moving the baseline of minimum wage. The unintended consequences of a minimum wage rate that is too excessive or aggressive are unseen, because not only does it raise the wage of minimum wage earners, it also raises the wages for mid and high level wage earners anticipating a higher wage rate because of the percentage change in the baseline. We believe that this is not sustainable and does not address the primary issue of poverty reduction.

Government will need to evaluate the economic impacts regarding lost investment opportunities from businesses choosing not to locate their business in Alberta because it may not be viewed as 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; 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.

We 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.

We will be holding another Minimum Wage Roundtable with our business community on April 7th and have been collecting impact stories since before the first increase on October 1, 2015. 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 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
2015-2016 President
Medicine Hat & District Chamber of Commerce

Enclosure

cc: Robert Wanner, Medicine Hat MLA
cc: Drew Barnes, Cypress-Medicine Hat MLA
cc: Jeff Parr, Deputy Minister, Labour
cc: Ken Kobly, President & CEO, Alberta Chambers of Commerce